

Austria	States	Indonesia	Philippines	Portugal	Spain
Belgium	Denmark	Iran	Malta	Portugal	Portugal
Canada	Germany	Japan	Malta	Portugal	Portugal
Central	Denmark	Japan	Malta	Portugal	Portugal
Companies	Denmark	Japan	Malta	Portugal	Portugal
Overseas	Denmark	Japan	Malta	Portugal	Portugal
Companies	Denmark	Japan	Malta	Portugal	Portugal
World Trade	Denmark	Japan	Malta	Portugal	Portugal

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BUSINESS
DIVISIONS

EUROPE'S BUSINESS NEWSPAPER

FINANCIAL TIMES

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Tuesday January 30 1990

JAPAN

Waging a trade war
in east Asia

Page 16

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World News

Azerbaijanis, Armenians to meet for peace talks

The warring nationalist groups of Azerbaijan and Armenia agreed to begin peace negotiations under the auspices of the Baltic Council, an organization comprising the three former members of the group.

Representatives of the Azerbaijan Popular Front and the Armenian National Movement will send representatives to Riga, the Latvian capital. The two sides are due to hold separate talks with Baltic mediators tomorrow and to meet face to face on Thursday. Page 2

Srinagar, tense

Srinagar, the capital of India's north-west state of Kashmir, remained tense as anxiety increased in Islamabad about a possible clash between India and Pakistan. Page 4

Soviet farm output

A picture of sluggish Soviet farm output despite ever-larger cash injections emerged when official statistics were published on one of Mr Mikhail Gorbachev's most important policy areas. Page 18

Attacks in Bucharest

Thousands of pro-government factory workers in Romania attacked the offices of leading opposition parties in Bucharest and the Government accused its critics of having tried to stage a putsch. Page 2

Allies differ

A clear difference of opinion has emerged between West Germany and its main Western allies, especially the US and Britain, over East Germany's military status in a future united Germany. Page 2

Pull-out from Jaffna

Indian troops have pulled out of Jaffna in Sri Lanka, leaving the northern town in the control of the Tamil Tiger guerrillas they fought for more than two years. Page 4

US advisers drafted

US military advisers have been drafted in to help Loyalist government troops fight a rebel incursion amid claims of army atrocities committed against civilians. Page 4

Bulgarians divided

Bulgaria's ruling Communist party opens its congress against a background of bitter fighting between several factions which could lead to a formal split. Page 2

Italian media strike

Italy's radio, TV and print journalists staged a 24-hour strike in support of their demand for early parliamentary approval of a law to regulate concentration of ownership in the mass media. Page 2

Poland scraps Party

Poland's once-powerful Communist party disbanded at a special congress after delegates voted to form a new social democratic party.

Coup leader caught

Philippine troops captured a top coup leader, dealing a blow to army rebels who have sought to overthrow President Corazon Aquino.

Menem bugged

Argentine anti-espionage teams have discovered bugs on all the telephones at President Carlos Menem's official residence. Page 6

Albanians riot

Ethnic Albanians clashed with police in Yugoslavia's southern province of Kosovo where at least 14 people died in gun battles at the weekend. Belgrade TV reported.

Le slippery slope

La cover-girl, le cow-boy and le cricket have been officially admitted to the French language as the defenders of purity, the Alliance Française, gave a little more ground to the encroachment of English.

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Business Summary

Panama to step up fight against cash laundering

Panama's banking regulations are to be amended to prevent the use of the country's offshore financial centre as a money-laundering point for proceeds from international drug trafficking.

President Guillermo Endara announced the changes during a visit by the US Vice President Dan Quayle. Page 18

APPLE Computers is facing a shake-up of senior management after disappointing results and the resignation of Alan Z. Loren, president of the company's US sales and marketing unit. Page 19

FERRENTI International will be seeking damages of £400m (£600m) in the negligence claim against Peat Marwick McLintock, the former auditors of International Signal & Control.

CARLO De Benedetti wants to negotiate his exit from the battle with Mr Silvio Berlusconi for control of Mondadori, the Italian publishing group, if he and his allies can retain the group's main newspaper and magazine titles. Page 19

ABC BANK, Norway's largest savings bank, said preliminary 1989 figures indicated net profits estimated at Nkr240m (£1.55m) against a 1988 loss of Nkr70m. Page 20

CONSOLIDATED Metallurgical Industries' sales and profits fell sharply in the six months to December because of falling international demand for stainless steel. Page 22

SWEDEN's banking sector started a lockout and strike over pay levels but businesses said they could weather its immediate effects. Page 2

METALLGESELLSCHAFT, West German engineering, metals and mining group, signed its second contract with East Germany since the border was opened. Page 3

BANK of England guidelines to the banking profession have increased the cushion banks are required to hold against Third World debt. Page 12

AZT, drug made by Wellcome of the UK, is likely to get approval by US Food and Drug Administration. Page 6

ML Media Opportunity Partners, a US media venture capital fund, established by Merrill Lynch, has set up a venture to look for media investments in Europe. Page 12

SUMITOMO of Japan leads a consortium which has won a \$205m contract to build the first two units of a proposed 2,000MW coal-fired power plant in East Java. Page 3

SWITZERLAND last year accounted for half the value of world watch and movement production, according to the federation of the Swiss watch industry. Page 3

KET Energy, the UK independent oil and gas company, has named Mr Jock Green-Armytage as chief executive and joint chairman. At the same time as it unveiled a £1.05m (£1.75m) pre-tax loss for the six months to September 1989. Page 25

WESTLAND of the UK plans to bid for overall responsibility for the Royal Navy's EH101 Merlin helicopter if the Ministry of Defence opens the job to competition. Page 12

ASCOM Holding, Swiss telecommunications group, said consolidated group sales in 1989 jumped 10 per cent to SFr2.64bn (£1.75m) against SFr2.4bn for 1988. Page 20

BLACK & Decker, US power tool company, reported a loss in the quarter ended December despite a 60 per cent increase in sales to \$1.1bn from \$705.5m.

NEWMAN Tunks, Birmingham-based architectural hardware group, has bought two Belgian partitioning systems suppliers for up to ECU8.97m (£1.5m) cash. Page 20

LA SLIPPERY SLOPE, La cover-girl, le cow-boy and le cricket have been officially admitted to the French language as the defenders of purity, the Alliance Française, gave a little more ground to the encroachment of English.

Hitting the headlines for all the wrong reasons

Alastair Morton (left), joint chairman of Eurotunnel, might not be the best spokesman for his views that poor productivity by UK contractors has helped push up costs of the Channel tunnel by nearly one-half to £7bn. Others disagree.

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EUROPE'S BUSINESS NEWSPAPER

FINANCIAL TIMES

Tuesday January 30 1990

Modrow paints grim picture of E German economy

By Leslie Collett
in East Berlin

MR HANS MODROW, East Germany's Prime Minister, yesterday painted a sombre picture of a country in which law and order and the economy were disintegrating.

In a speech to the Volkskammer (parliament) explaining why elections had been brought forward by nearly two months to March 18, Mr Modrow said: "The economic situation is worsening alarmingly. The strikes, slowdowns and other disturbances are leading to serious breakdowns in production."

Mr Modrow said workers were demanding increases of DM40bn (£23bn) at the official exchange rate in wages and benefits which, if approved, would threaten the existence of East Germany. Many local and district governments had collapsed or could not operate in the face of anti-Communist rallies as well as attacks on officials and bomb threats.

"Law and order are being increasingly challenged," he noted. The debilitating emigration of East Germans to West Germany – nearly 2,000 a day – was also continuing.

"All appeals by the Government have not been able to stop this haemorrhaging of the population," he said.

Prime Minister Modrow gained the parliament's approval of his Communist-led Government's agreement on Sunday to form a "grand coalition" with 10 opposition groups.

In the Cabinet of "national responsibility" to be set up shortly, non-Communist ministers will be in the majority for the first time in 40 years. They will be without portfolio although their vote will be needed for all government decisions.

Opposition groups made plain that they were anything but triumphant over having gained a large share of power at such a critical moment for the country. They said it would be extremely difficult to build effective party leaderships for the elections, moved forward from May 6.

In a debate by the round table group on East Germany's poisoned environment, government officials said no more nuclear generating capacity would be installed and existing reactors at the Greifswald Continued on Page 18

Military status splits allies; Romanian offices ransacked, Page 2



Mitchell Fromstein: magnanimous in victory

Fromstein takes Blue Arrow to US

By Vanessa Houlder in London

MR Mitchell Fromstein, chief executive of Blue Arrow, yesterday took the combined employment full circle.

In a move that finally reverses Blue Arrow's audacious £1.3bn acquisition of Manpower in 1987, the combined employment agency will revert to its original name and its headquarters will return to the US by the middle of the year.

The company yesterday also announced a fall in pre-tax profits, the abandonment of this year's final dividend and a £675m (£1.13bn) US charge relating to goodwill write-offs.

British officials stressed that the Fromstein proposals did not mean that the UK bases would be closed because they would continue to remain RAF installations. They would only be affected if US forces withdrew.

Mr Fromstein sought to reassure allies yesterday that the US was "determined to sustain a strong forward-deployed military presence overseas." However, he added that "global and regional trends make it possible for us to adjust some of our overseas facilities, in consultation with allies."

The US has more than 1,200 military bases. About 300 are in the US and more than 350 overseas – 30 per cent of them

in West Germany. The Asian bases on Mr Fromstein's list are a navy installation in San Miguel, Philippines, and three in South Korea – Kwang Ju, Suwon, and Taeguak. The European bases on Mr Fromstein's list include Hellenikon Air Base and Navionics in Greece; Zweibrücken in West Germany; and Comiso Air Base in Italy, which is also home to cruise missiles.

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The cuts will cost money in the short term because of the need to clean up the environment, but officials believe that millions of dollars can be saved in future years. The new base cuts are in addition to last year's agreement to close or realign 88 US military bases.

Mr Fromstein said he does not envisage entering into a "common market" arrangement with Canada and the US; but the logic of both the current trade talks with these countries is to forge ever closer links.

On the 1st October 1989, the Commission for the New Towns took over responsibility for the industrial and commercial property assets of the Warrington-Runcorn Development Corporation and opened its

EUROPEAN NEWS

PRO-GOVERNMENT WORKERS RANSACK OFFICES IN ROMANIAN CAPITAL

Bucharest mob attacks opposition

By Victor Mallet in Bucharest

THOUSANDS of pro-government Romanian factory workers attacked the offices of leading opposition parties in Bucharest yesterday and the Government accused its critics of having tried to stage a putsch on Sunday.

Some party offices were vandalised in the early hours of the morning and the National Liberal Party abandoned its headquarters in the city centre to the protesters.

Mr Cornelius Coposu, leader of the National Peasants' Party, was evacuated from his office in an armoured car after Mr Petru Roman, the interim Prime Minister, made a vain appeal to the crowd for calm.

The workers had been bussed in by the authorities from the industrial areas of Bucharest and from as far away as Constanta, on the

Black Sea, for a pro-Government demonstration at the headquarters of the ruling National Salvation Front in Victory Square.

The protesters, however, apparently exceeded their brief by ransacking opposition premises. There were fights between the NSF's supporters and opponents in the streets. "Down with parties" said one placard, an ominous message for those Romanians who have accused the Front's ex-Communist leaders of hijacking the revolution.

Mr Coposu said his party would probably abandon negotiations on power-sharing with the Front, which were due to resume on Thursday.

"Perhaps they have decided to restore the dictatorship here," he said, arguing that it was impossible to have talks in

such circumstances.

Mr Ion Iliescu, the ex-Communist interim President, and Mr Roman said they were willing to consider power-sharing when they had talks with the three main opposition parties over the weekend. At that time, the anti-Government protesters had the upper hand.

But yesterday the Front's confidence was restored by the latest demonstration by supporters, which was apparently organised in traditional Communist style by NSF factory committees.

Mr Iliescu waved to the crowd from the balcony of the Front's headquarters and said: "Under pressure we will never yield." However, at a later news conference, Mr Sylviu Brucan, a member of the Front's 11-member executive, denied that the Front had

organised yesterday's rallies.

He said television and radio appeals on Sunday for supporters of Mr Iliescu to launch a demonstration to rival the one organised by students and opposition parties were an exaggerated reaction to a tense situation at the Front's headquarters. He said this had amounted to an attempted putsch by opposition forces.

Last night, the Front appeared to have gained the upper hand. But the euphoria which followed the overthrow of Nicolae Ceausescu last month has been replaced by near-anarchy in Bucharest and in the provinces.

The Front has accused its opponents of being funded by foreigners, thereby arousing nationalistic instincts which were exploited so successfully by the late dictator.



Iliescu waves to his supporters yesterday: "Under pressure we will never yield," he said.

E German military status splits allies

By David Goodhart in Bonn

A CLEAR difference of opinion has emerged between West Germany and its main Western allies, especially the US and Britain, over East Germany's military status in a future united Germany.

Mr Hans-Dietrich Genscher, the West German Foreign Minister, has spoken out emphatically in a newspaper interview against the insistence that East German membership of Nato should be a condition of reunification — a position currently being pushed by the US and British governments.

"Anyone who wants to extend the Nato borders to the Oder and Neisse (East Germany's border with Poland) is slamming the door on a united Germany," Mr Genscher said.

Mr Gerd Stoberhagen, the Defence Minister, has also indicated that East German membership of Nato is not the only option for a united Germany and has spoken of "special security rules" between the Soviet Union and its former East European satellites.

In spite of this disagreement, however, diplomats stress that progress is being made in another sensitive area — revising the legal powers retained by the Western victor powers, the US, Britain and France, over West Berlin.

The special rights of the three powers, especially over Berlin's representation in the Bundestag in Bonn and air traffic into the city, is a potential conflict point with Bonn, but there are indications of movement in both areas.

Mr Friedrich Zimmermann, Bonn's Transport Minister, has been pressing for a relaxation of the rules which prevent any West German-owned airline carrying passengers across the inter-German border and restrict all flights into the city

to three corridors. A gradual abandonment of these restrictions is now expected, with the first move coming in the next few weeks.

Ms Heide Piarr, a minister in the West Berlin senate, has also said that the allies are looking favourably on a reform of the city's peculiar political status which forbids direct elections to the Bundestag and prevents those representatives who are sent to Bonn by the West Berlin senate from voting in the main chamber.

Imminent free elections in East Berlin have increased the pressure for change, which is now possible before the West German national election in December.

Mr Hans-Jochen Vogel, chairman of the West German Social Democrats, said yesterday he would be nominating Mr Oskar Lafontaine, who has just been comfortably re-elected as Saarland's premier, as the party's Chancellor candidate.

He is likely to be confirmed at a special meeting of the party executive next month.

Communist party ceases in Poland

By Christopher Bobinski in Warsaw

Poland's Foreign Minister, Mr Mark Eyskens, yesterday criticised plans to investigate the withdrawal of Belgian troops from West Germany, opening a rift within the country's centre-left government, AP reports from Brussels. Even studying the idea of withdrawing some or all of Belgium's 25,000 troops was premature.

"It gives the impression Belgium wants to anticipate the results" of East-West negotiations in Vienna on conventional arms reductions in Europe, he said in a newspaper interview.

Earlier, Mr Tadeusz Fiszbecki, a former party chief in Gdansk supported by Mr Lech Wałęsa, left to set up his own Social Democratic Union with the support of around 100 of the 1,600 delegates. Some 1,200 others backed a move to establish a successor party called the Social Democracy of the Polish Republic which yesterday afternoon elected Mr Alexander Kwasniewski, a 36-year-old politician, as its chairman and Mr Leszek Miller, 44, with a background in the party as its general secretary.

The ructions accompanying the transformation have left Poland's post-Communist Left severely weakened. Around 100 of the Communist Party's parliamentary deputies have so far failed to join either one or other group.

Mr Kwasniewski's party has one minister, Mr Adam Wieladek, in charge of transport, compared with the Communists' original four in the government.

The majority of the 72 delegates representing the army left the Congress, signalling their support for the move to depoliticise the armed forces.

Azerbaijanis and Armenians accept Baltic mediation offer

By John Parker in Moscow

THE warring nationalist groups of Azerbaijan and Armenia yesterday agreed to do with the Baltic popular fronts what they have so far refused to do with the government of the Soviet Union — sit down and begin peace negotiations.

Representatives of the Azerbaijani Popular Front and the Armenian National Movement said that they would send representatives to Riga, the capital of Latvia, for peace talks.

The two sides are due to hold separate talks with the Baltic mediators tomorrow and to talk face-to-face on Thursday.

The talks will be held under the auspices of the Baltic Council, an organisation comprising the three informal nationalist groups there. The

small hours of yesterday the main congress hall of Warsaw's Stalinist Palace of Culture saw the Communist Party's flag carried out in silence for the last time. Some, visibly moved, broke into the Internationale and applauded Mr Mieczyslaw Rakowski, the party's last leader.

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Front had flown to Baku to arrange the talks. The agreement to talk with the informal groups was reached the day after Mr Eduard Shevardnadze, the Soviet Foreign Minister, had made the clearest appeal so far from the Soviet Government for peace talks with the Azerbaijani Popular Front.

At a meeting with the Indian Foreign Secretary in Moscow, he said, "as far as the solution of political problems is concerned, the Soviet leadership — as it has repeatedly stated — is categorically against the use of force. Dialogue is the main instrument in this case."

In an apparent rebuke to General Dmitri Yazov, the Defence Minister, who had said the troops had been sent to Baku to crush the power of the Azerbaijani Popular Front, Mr Shevardnadze added: "I want to point out once again that the introduction of troops was prompted not by some political

goal connected with the suppression of dissent but by the sole aim to end bloodshed."

Mr Gennady Gerasimov, the Soviet Foreign Ministry spokesman, yesterday confirmed the government's desire for negotiations. Speaking in Helsinki, he agreed that "we must negotiate with those who have power but it's very difficult to negotiate with extremists."

It is not clear who will represent the Azerbaijani Popular Front because many of its leaders have been arrested in Baku. A letter by the Front, however, said that the delegation would include a Mr Gadzhizade, identified as a member of its ruling council.

The agenda for the talks will include the future of the tens of thousands of refugees created by the conflict and the use of Soviet troops. The two sides, however, agreed not to discuss their territorial claims against each other.

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WORLD TRADE NEWS

GATT in search of the line between cheap exports and nasty practices

Is charging less abroad than you do at home unfair trading — dumping — or is it just good marketing? asks William Dullforce

ALKS ON the General Agreement on Tariffs and Trade's anti-dumping code have reached a juncture at which governments must start setting realistic limits for what they can expect to achieve before the end of the Uruguay Round in December. However, it is already apparent that the dispute over the principle of anti-dumping is unlikely to be resolved.

Some negotiators feel they may even be running out of time to reach the more restricted objective of agreeing new rules for anti-dumping action which would at least let exporters know where they stand.

Dumping — the selling of a good abroad at a lower price than that at which the exporter sells it on his home market — and anti-dumping — the imposition by the importing country of a punitive tariff on the dumped — have turned into one of the most potent issues at stake in the Uruguay Round.

This is principally because of some exporting countries' growing agitation about the proliferation of anti-dumping measures, and charges by champions of free trade that governments are exploiting anti-dumping as a last-ditch protectionist weapon and as a

disguised form of industrial

Japan has taken the van guard in the anti-dumping battle within Gatt. In the first dispute in which it has called on the organisation to arbitrate, Tokyo has challenged European Community action against Japanese companies' so-called "screwdriver" assembly plants within the EC. Japanese officials make it clear that one of Tokyo's priorities in the Uruguay Round is to obtain clearer rules for anti-dumping.

In essence, the argument puts Japan, supported by Korea, Singapore and Hong Kong, against the EC and the US, who with Australia and Canada are the main users of anti-dumping. But the matter is more complicated than that because European and American exporters are also frequently the victims of anti-dumping action. Both Brussels and Washington have an interest in obtaining clearer anti-dumping rules, although so far they have taken differing approaches in the Gatt talks.

At the moment, the trend is to introduce anti-dumping legislation among developing countries which have adhered to Gatt free-trade principles by abandoning import licensing and reducing non-tariff restrictions.



Mexico and Brazil are cases in point; Turkey and Morocco are moving in that direction.

In a letter sent to participants before the Uruguay Round negotiating group resumes its work tomorrow, Mr Chulsoo Kim, the Korean chairman, has summarised the writer of conflicting proposals taken by powers, like the US and the EC, who want to "reach the net to catch smart dumpers, and those, like Japan, who want to stop what they see as abuse of the anti-dumping measures permitted by Gatt."

Mr Kim hopes that his summary will encourage the group to adopt a tight agenda for

negotiating amendments to the code and, perhaps, for expanding its scope to cover the clever methods employed by dumpers to escape penalties.

Companies try to circumvent primitive tariffs by investing in "screwdriver" plants in the importing country and shipping in components or by exporting from subsidiaries in third countries. Brussels and Washington want these loopholes in Gatt's anti-dumping code plugged.

In imposing duties on products from Japanese assembly plants the EC undoubtedly exceeded its rights under the code but Brussels defends its action by citing a Gatt clause that allows a country to take action to prevent circumvention of a fictitious policy measure.

Repeat or recurrent dumping is another form of circumvention that that both the US and the EC want covered in the code. A dumper may stop exporting when an investigation is opened so that the importing country has no legal basis for proceeding, and then resume exporting in massive quantities a couple of months later in a process which can be repeated ad infinitum. The US claims that foreign exporters of steel products have done this.

Japan and its allies attach great importance to improving

SUMMARY OF ANTI-DUMPING ACTIONS						
Reporting party	Reporting period	Initiation	Provisional measures	Definitive duties	Price undertaking	Outstanding actions
		No. of countries involved				
Australia	A	40	12	5	2	150
	B	20	10	5	1	49
Brazil	B	1	-	-	-	-
Canada	A	24	12	5	2	150
	B	20	20	10	5	159
EC	A	17	12	7	11	ns
	B	20	10	4	5	ns
Finland	A	5	3	-	2	ns
	B	5	3	-	2	ns
South Korea	A	1	-	-	2	ns
	B	-	-	-	-	ns
Mexico	C	2	12	2	-	ns
New Zealand	C	4	1	1	-	ns
Sweden	A	-	2	-	2	ns
	B	-	-	-	-	ns
US	A	41	55	35	2	151
	B	31	13	22	-	157

As at July 1 1989 - 30 June 1989

On January 1 1989 - June 30 1989

ns = not available

Source: General Agreement on Tariffs and Trade (Geneva)

Hong Kong in particular pound the difference between predatory dumping and the adjustment of a price to the price level prevailing on an export market. Is it dumping when an exporter drops his price below that at which he sells at home in order to be competitive on a foreign market, but without intending to push domestic producers out of the market?

It is here probably that a realistic limit for the Uruguay Round anti-dumping talks must be set. Under the present Gatt code, if your domestic price is higher than your export price, you are dumping — and neither the EC nor the US is likely to budge from that mechanistic concept.

The globalisation of industry, under which companies produce in more than one country, has undoubtedly stimulated dumping and led to more anti-dumping actions. Some companies believe in a way that would be impossible within a domestic market because of anti-trust regulations.

A realistic objective for the chief protagonists would be to agree in the next few months on new definitions and procedures for anti-dumping action that could simplify life for exporters.

and threat of injury.

Conflict prevails over the ways in which governments calculate the dumping margin. Trade analysts allege that the EC has treated when "circumventing" the prices on which it has based its import penalties. Exporters want tighter rules.

The negotiations are riven over the distinction between dumping and normal commercial practice. Singapore and

Exporters, especially the fast-growing garment trade, complained they could not keep to the seasonal deadlines of big chain stores in the US, Europe and Japan. Traders in general argued for competitive freight rates.

Liberalising fits the broad framework of Sri Lanka's agreements with the International Monetary Fund and the World Bank.

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Exporters welcome Sri Lanka's 'freer shipping' rules

Lee Kuan Yew, Singapore's

Prime Minister, who said Sri

Lanka's mistakes had become

Singapore's opportunity, and a

lesson on what to avoid. He

was referring to the crippling

port strike in Sri Lanka in the

1980s.

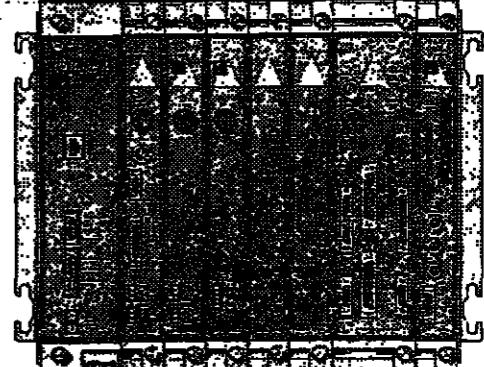
The CFB was created by Mrs

Shrimavo Bandaranaike's gov-

ernment when it hit foreign

exchange difficulties.

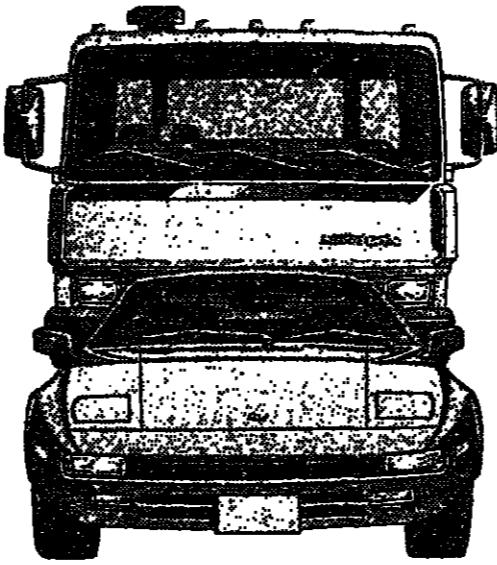
The CFB was supposed to



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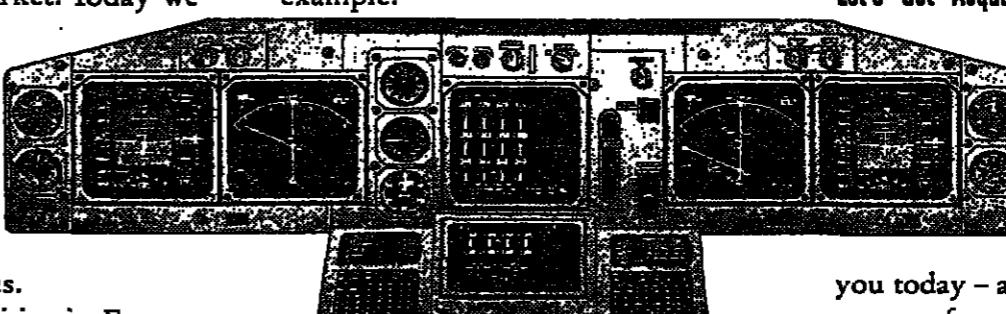
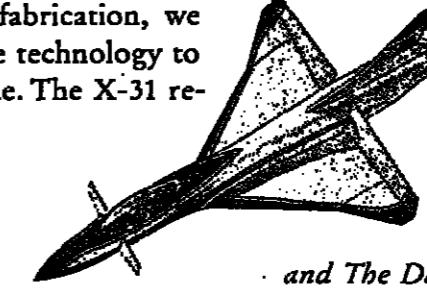
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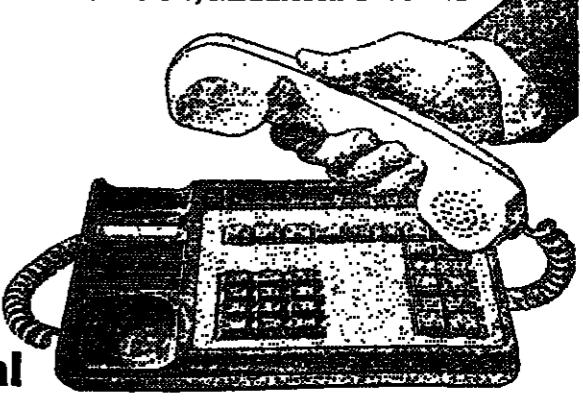


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January 1990

OVERSEAS NEWS

Debating club where members prefer the nod and the wink

Robert Thomson speaks to young hopefuls at the traditional breeding ground of Japan's notorious old-boy network

GRAFFITI and defaced posters cover the walls, the ashtrays overflow with stubbed butts, and stuffing has been pulled from the vinyl chairs. The talk is of philosophy, of the changing values of Japanese youth and of the party's prospects at the coming election.

The smoky, cramped headquarters of the Waseda University Debating Club have long been a breeding ground for Japanese leaders. Mr Toshiki Kaifu, the present Prime Minister, polished his oratory skills at the club, and Mr Noboru Takeshita, a past Prime Minister and still a powerful numbers man in the Liberal Democratic Party, was a member.

Mr Kaifu, tied to a small faction in the LDP, has needed the support of the club's old-boy network, which includes several present and past ministers with considerable influence within other, stronger factions. And the old-boy business connections have always been a help when it comes to campaign fund-raising drives.

During a brief visit to London earlier this month, Mr Kaifu found time to attend a gathering of 120 Waseda alumni, and, in Tokyo, there is the "20th Club", whose members are business leaders educated at Waseda and who meet, as the name suggests, on the 20th of each month.

Back at Waseda, Mr Shuzo Kogure, 22, a commerce student and



Some members of the Waseda University Debating Club polishing their skills in fast talking

the debating club president, doesn't think the outcome of the February 18 election matters much: "The bureaucrats have the real power, and these bureaucrats protect the interests of Japanese companies."

The LDP will not get Mr Kogure's vote. Mr Hajime Hirota, 21, a social science student with serious political ambitions, is likely to support the ruling party, but complains that

ordinary Japanese are given little insight into policy making and are generally neglected.

There is a lot that the 60 club members, all men, don't agree on, but then that's why they join the club. As one member explained: "We don't come here to learn debating techniques, we come here to protect our freedom of expression."

Virtually all new students are

invited to the club. The members agree that the club began in 1952 after Waseda students rallied behind farmers whose fields had been ruined by waste from a copper mine. The precise details of the protests are a matter of debate, as are the circumstances of a factional fight in 1978 that prompted the club to draw up formal rules

protecting freedom of expression.

Debate starts with the club's his-

torical record of going on to higher office. In 1953, a 20-year-old Toshiki Kaifu was assistant secretary, Takao Fujinami was another assistant secretary and Kozo Watanabe was president.

The person should show a desire to improve himself, but it is not the sort of club that everybody wants to join," he said. Mr Kogure, by the way, hopes to be a writer, not a politician.

Each year, a few members get work with a political party or trade union, and tend to climb through the ranks. Others take a more conventional job in a company.

The club's office bearers also have a record of going on to higher office. In 1953, a 20-year-old Toshiki Kaifu was assistant secretary, Takao Fujinami was another assistant secretary and Kozo Watanabe was president.

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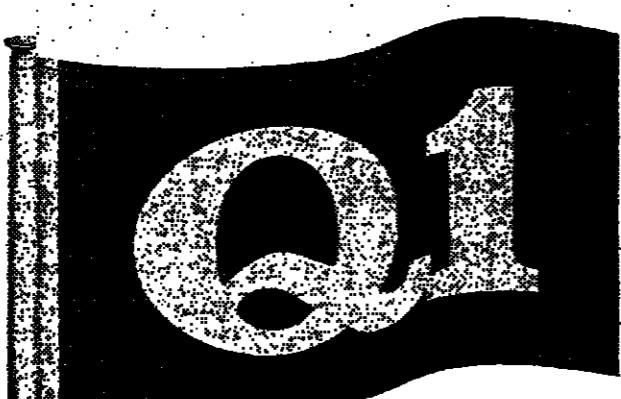
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Malaysian
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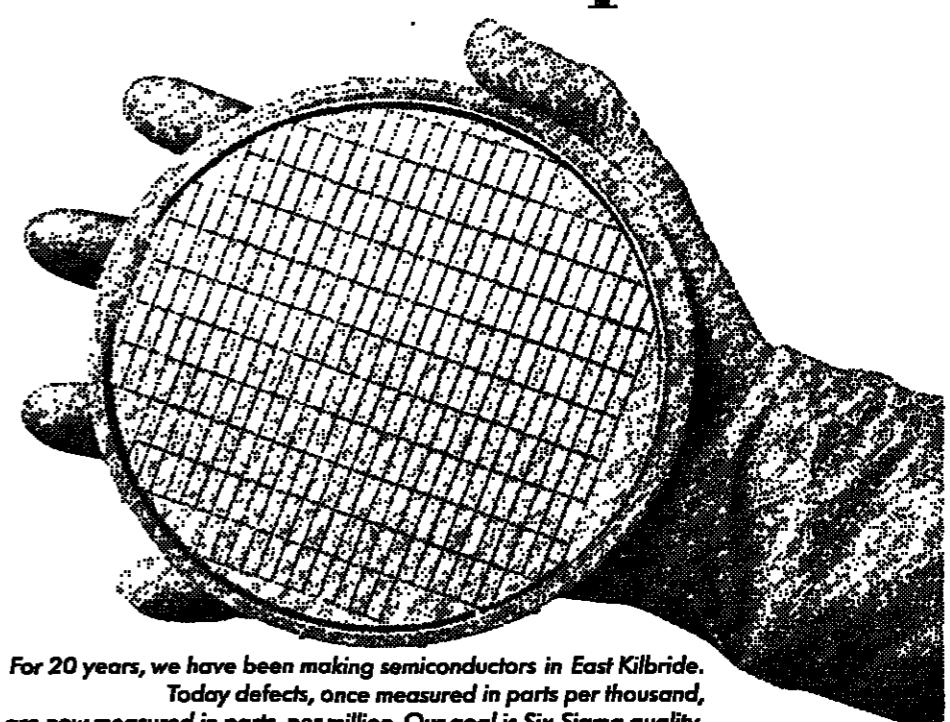
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AMERICAN NEWS

Hurd asks US to help boost HK confidence

By Lionel Barber in Washington

MR Douglas Hurd, British Foreign Secretary, yesterday asked the Bush Administration to shore up confidence in the future of Hong Kong by offering US passports to colony residents employed by US companies.

The move, which would require legislation, is aimed at stemming the exodus of the Hong Kong middle class in the run-up to 1997, when Britain is due to hand over control to communist China.

Mr Hurd voiced no objections to the US proposals announced yesterday to wind down three US bases in England: Greenham Common, Wethersfield, and RAF Fairford.

The move was compatible with the conventional forces talks in Vienna and with US membership of Nato, he said.

On the future of Europe, Mr Hurd said he had talked about German reunification "in the EC context, the Nato context and the Four Powers governing Berlin" (France, Britain, the US, and the Soviet Union).

The two ministers had also discussed "what needs to be kept, what needs to be changed" in a new European order.

In this context, Mr Hurd suggested the upcoming East-West conference in Ottawa would embrace more than simply the US "Open Skies" proposal for intrusive monitoring of troop movements in Europe.

FDA approves drug for AIDS infections

By Alan Friedman in New York

THE US Food and Drug Administration (FDA) yesterday approved the use of flucanazole, a drug which represents a breakthrough in the treatment of two AIDS-related fungal infections, one a life-threatening form of meningitis.

Meanwhile, the FDA's advisory committee met yesterday in Bethesda, Maryland to consider whether to approve the use of the drug AZT (or Retrovir) for infected, but not seriously ill, AIDS patients. AZT, made by Wellcome, the UK drugs company, is the only anti-AIDS treatment.

The US regulatory agency is expected to announce today

Argentines unworried by bugging of the president

By Gary Mead

WHEN the First Lady of Argentina flounces out of the presidential residence, things begin to seem a little rotten in the state of Argentina. Zulema Yoma de Menem, President Carlos Menem's wife, has discovered bugs - species John le Carré, not Darwin - in the Olivos palace.

"There are firm clues," says Mr Alberto Kohan (secretary general of the Casa Rosada, government house), in his best Sherlock Holmes style. So far he has not said what those clues reveal. The handful of bugs, discovered at the weekend, apparently function over short distances only and are thought to have transmitted to vehicles outside the Olivos residence.

But the revelation that Mrs Menem's private chats have been overheard has failed to excite public interest. Last week we also heard Mr Menem reveal that telephone death threats had been made against Mr Erman Gonzalez, the Economy Minister, though he did not go into details about them. The only threats which are apparent to the general public are those Mr Gonzalez himself has recently made about the survival of a deadhead economy.

Argentines do not expect to learn who made the death threats, or who planted the bugs in Olivos. Most gave up trying to discern fact from fiction when the Menem administration told them that December's retail price inflation was only 40 per cent, a figure which tallied with no-one's experience at the supermarket, where prices doubled and trebled in the month.

Many believe both death threats and listening devices to be little more than a crass diversion tactic, to re-focus attention away from penury and towards an enemy. Naturally, full investigations have been promised. But most expect these to go the same way as those promised for allegations of multi-million dollar ministerial corruption at the start of last December. The ministers then under suspicion continue in their posts. Mrs Menem is expected to be back soon.

Salinas hopes to sell a country come of age

Robert Graham interviews the Mexican President on his first formal visit to Europe

of the Mexican economy began in earnest in 1987, Mr Salinas believes the catalyst for the country's new mood of confidence was last July's agreement with the commercial banks on restructuring \$48.5bn of medium- and long-term debt.

"The net result is not only important in the saving of national resources but it has also been very important in providing confidence to Mexicans." He said that the transfer of resources would be cut from 6 per cent of gross domestic product to around 2 per cent. One immediate effect had been the return of flight capital last year to the tune of \$2.5bn to \$3bn. "We were not counting on this [last year] so it was a plus for us."

He also maintained that the \$2.7bn of foreign investment last year was in part a consequence of the debt agreement providing for the permanent recovery of the economy. This figure excluded debt conversion deals.

President Salinas continues to defend the July debt agreement as the best available and denies that the ultimate financial benefit is limited. However, he is quick to point out: "It did not solve our problems... our problems will continue and we shall have to put additional effort into making the economy more efficient. But without the agreement, no matter what effort we put into it domestically, we would not have been able to recover growth."

The economy grew last year at 3 per cent, stronger than the projected 1.5 per cent, with



President Salinas had his first full working day yesterday. Those accompanying him included Mr Pedro Aspe, the Finance Minister, Mr Fernando Solana, Foreign Minister, and Mr Patricio Chirino, Environment Minister.

inflation down to 19 per cent, he said. As for the current year, he expects the economy to continue to grow at 3.5 per cent, the stimulus coming from private investment which last year increased 10 per cent. There was also some room for manoeuvre provided by oil prices since this year's budget

had been based on \$13 per barrel for oil exports.

"The public sector, even though it has more resources from the debt renegotiation, no resources will be enough for the demands we have... we have so many vast needs." President Salinas therefore regards privatisation as the key to unlocking state funds for social needs in education and health.

The biggest privatisation of Telmex, the national telephone company, is now under way, he says. Telmex was last year transferred to the agency of Mr Pedro Aspe, the Finance Minister, and his ministry, which has been restructuring its tax base and tariffs to improve cash flow before flotation. Foreigners will be allowed up to 49 per cent but majority will stay in Mexican hands.

"We find too many barriers in the EC and the US. Reciprocity is not there. 1992 looks as a date for an inward-looking Europe, so we are working today so that with efficiency and competitive prices our products will be able to be part of the European market."

On trade with the US, he says Mexico favours "a sector-by-sector trade agreement, so we have guaranteed access to the US market."

Mexico is in the process of negotiating a trade agreement with Canada, similar to that with the US. Mr Salinas is cautious on the idea of expanding these agreements into a North American common market but Mexican business is increasingly aware of the need to be not to be caught out by any protectionism from the two powerful northern neighbours.

The prospect of guaranteed access to the US market and Canada was another positive element he hopes to sell to his audiences in Belgium, Switzerland, the UK and West Germany.

increase in imports is over-optimistic and the rise will be significantly higher.

An unprecedented delay in publication of trade figures has led to speculation about the extent of Mexico's commercial deficit in 1989.

Official figures for August showed a deficit of \$107.4m for that month. Seemingly well-informed press reports have reported a \$220m deficit in September.

On a monthly basis, despite higher oil earnings, it is reckoned that it would have been at least as high for the last three months of 1989, not least because of a big pre-Christmas surge of imports meaning a trade deficit for the year of no less than \$600m.

GATT dumping code, Page 3

Mexicans voice worries about foreign competition

By Richard Johns in Mexico City

THE organisation representing Mexico's smaller manufacturing businesses has called for a modification of the *apertura* - the policy of opening the market to foreign competition.

The plea from the National Chamber of Industrial Transformation (Canacina) comes only a few days before President Carlos Salinas de Gortari's meeting in Geneva on February 1 with Mr Arthur Dunkel, director-general of the General Agreement on Tariffs and Trade. Mr Salinas arrived in the UK at the weekend on his European tour and had a meeting yesterday with Mrs Margaret Thatcher, the British Prime Minister.

Mr Salinas is expected to press com-

plaints to Gatt about non-tariff barriers impeding its exports and, with the Government having promised to introduce legislation on intellectual property rights soon, evidently feels that he will be on strong ground.

At present Mexican tariffs average 6 per cent and the country is generally reckoned to have moved fast in fulfilling its commitments to Gatt since joining in 1986.

Canacina complains that the *apertura* has led to the closure of many manufacturing plants and an increasing tendency among industrialists to switch to activity in the service sector. It claims that Mexico's trade liberalisation has proceeded much faster than Gatt

rules have required.

Quoted by the newspaper *El Financiero*, its economists forecast that the country's trade deficit will rise to \$3.3bn in 1990 compared with the Government's budgetary projection of \$2.4bn projected in the 1990 budget (on the conservative estimate of an average oil price of \$15 per barrel).

They predict, however, that the main increase in imports next year will be the result of the demand for capital goods - presumably by the larger and stronger companies - fuelled by the overall economic growth of 4 per cent officially projected.

Independent economists believe the official estimate for 1990 of a 9 per cent

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US BUDGET

● ECONOMIC OVERVIEW

Cutting the appetite of the 'Cookie Monster'

THE BUSH Administration expects the federal budget deficit to decline to \$63.1bn in the 1991 fiscal year starting in October from an estimated \$123.8bn in the current year.

The drop reflects the expectation of higher revenue thanks to economic growth and \$36.5bn of specific policy measures on both the spending and tax side. The deficit is estimated at around \$100.5bn if current policies are continued and spending is increased in line with inflation. This is the baseline in the accompanying table.

In a colourful introduction to the budget, Mr Richard Darman, the Budget Director, is cautiously optimistic that the pattern of erosion in the deficit of the early-to-mid 1980s seems to have been broken and "by many measures the deficit is headed towards improvement - assuming that economic growth is continued".

However, he compares the budget to a character in the Sesame Street children's television programme known as the Cookie Monster who gobbles up everything in his path, and, picking a comparison from a winter gear of the 1980s, he warns of Hidden Pacmen ready to absorb future resources in the shape of future, unfunded liabilities.

Over the longer term the budget is expected to be in balance in fiscal 1993 when some of the surplus on the social security fund will be separated into a special fund to pay off the national debt. This will still leave a small overall surplus.

However, the statutory targets under the Gramm-Rudman deficit reduction law have

regularly been exceeded in the past, due to over-optimistic economic assumptions or excess spending. For instance, the fiscal 1989 deficit turned out to be \$152bn against the target \$126bn, and the deficit for this year is projected to be \$23.8bn over target.

The economic projections of the Bush team headed by Mr Michael Boskin, the chairman of the President's council of economic advisers, have so far been nearer the outcome than those of the Reagan era.

The Budget projects a rise in gross national product in real, inflation-adjusted terms of 2.6 per cent in the year to the fourth quarter of 1990, followed by two years of growth of slightly above 3 per cent. This is at the optimistic end of the range with both the Congress-

ional Budget Office (CBO) and the consensus of leading private sector forecasters known as Blue Chip projecting a 1.8 per cent rise this year.

In detail, the Administration says that "strengthening consumer spending and an upturn in residential construction are expected to provide most of the impetus to growth, offsetting a smaller improvement in foreign trade, a slower growth of business fixed investment and restraint in federal purchases of goods and services".

There is more agreement that the annual rate of consumer price inflation will slacken slightly from 4.7 per cent in the fourth quarter of 1989 to 4.1 per cent by the end of this year. The Administration expects unemployment to average 5.4 per cent in the

fourth quarter, and the interest rate on three-month Treasury bills is estimated at 6.7 per cent - in both cases 0.2 percentage points less than the CBO projections.

The budget document also discusses alternative assumptions. For instance if real GNP growth is lower by one percentage point in this calendar year, and the unemployment rate rises by 0.5 percentage point (as many outside forecasters expect) the deficit would be \$14.1bn higher in fiscal 1991 than at present projected. In the year to the fourth quarter this would mean expansion of 1.1 per cent against 2.6 per cent.

However, if the 1 per cent lower annual GNP growth rate and higher unemployment is sustained during the 1990-95

period, the fiscal 1991 deficit would be \$23.6bn higher than at present, and \$40.5bn higher in fiscal 1992.

Hence, the planned fall in the deficit is heavily reliant on continued economic growth boosting tax revenues. To reduce the deficit to below the Gramm-Rudman statutory target still requires \$36.5bn in policy changes on the basis of the Gramm-Rudman law.

More than a third, or \$13.9bn, comes from additional revenue - estimates of which are highly provisional in view of the intense debate in Congress over rival tax measures.

This includes the expected \$1.5bn initial boost to receipts from cutting capital gains tax, \$1.5bn from extending payroll taxes on state and local government workers, \$1.5bn from extending the due to expire levy on long-distance telephone calls, \$500m from increasing the tax on airline tickets and \$3bn from an assortment of Internal Revenue Service initiatives.

So-called user fees are being imposed on securities issued by the Federal National Mortgage Association, the Federal Home Loan Mortgage Corporation and other government-sponsored entities. These are designed to reimburse the Government for the borrowing advantages which these agencies enjoy.

An 11 cent fee per transaction in the futures markets is also proposed from October to cover the costs of the Commodity Futures Trading Commission.

On the other side, revenue is expected to be lost from the introduction of Family Savings Accounts and enterprise zones.

On the spending side, most of the savings are in domestic programmes and only about \$6bn from defence.

There are increases in spending on the space and drug programmes. But cuts - certain to be controversial with Congress - are proposed in Medicare health payments (down \$8.2bn), commodity price supports (cut \$3.1bn), and meal subsidies for children above the poverty line (reduced by \$500m).

The Administration proposes that the additional working capital needs of the Resolution Trust Corporation in rescuing and reorganising the savings and loan industry (as much as \$40bn to \$100bn) should be treated separately from the Gramm-Rudman deficit reduction law. Such temporary capital, to finance purchases before assets are sold, should not affect the annual calculations on whether the target has been met and whether across-the-board spending cuts known as sequestration are necessary.

An expansion in the foreign aid budget is being sought with \$300m for a special assistance initiative for the new democracies of Eastern Europe and \$200m in special help for the Philippines.

The budget also seeks \$3.2bn in contributions over the next three years for the International Development Association, the soft-loan arm of the World Bank.

In 1991, the Export-Import Bank will provide \$500m in loans and \$10.5m in guarantees and insurance to support US export sales.

Peter Riddell



Darman: an idiosyncratic introduction to the budget

● POLITICAL OUTLOOK

Darman resigned to annual ritual of 'heroic compromise'

"BE SERIOUS," is the challenge which Mr Richard Darman, the Budget director, throws down to the US Congress in his idiosyncratic and lively introduction to yesterday's Budget. But the slogan can, and will, be thrown back at him.

The evasions and hypocrisy in the US budgetary process which Mr Darman points to potential liabilities from unfunded health and retirement programmes, environmental clean-ups and losses on federal credit and insurance programmes, costing a possible \$25bn to \$50bn a year. He compares their threat to future budgets to hidden Pacmen in the video game.

Scepticism is underlined by the disclosure that the deficit for the current fiscal year - stated last November to be only just over the target of \$100bn - will now be \$123.5bn. Many economists believe the overshoot will be larger.

A grand budget deal of the kind agreed in 1987 after the stock market crash looks unlikely, unless the markets intervene. Mr Darman said on Sunday that he would like to have "a large-scale compromise package" but he did not think that was probable. Instead, "we're more likely to have to keep going at this incrementally".

Many Democrats remain suspicious of the deviousness of the Budget Director

One reason is the tensions between Mr Darman and Congress last year during the row over capital gains tax, which, for a time, jeopardised the bipartisan budget accord reached in April. Mr Darman is admired for his cleverness and originality but many congressional Democrats remain suspicious of his deviousness. Congress is also reluctant to become involved in a serious debate while President Bush sticks to his "no new taxes" pledge (however stretched that is with an assumed \$13.9bn in additional new revenues).

Mr Darman's introduction may attract as much attention as the specific, and certain to be amended, budget proposals. Few would quarrel with his description of the annual ritual of the Beat-the-Budget Game: "At the start, it is predictably partisan. Priorities are judged to be incorrect. Economic assumptions are ridiculed (but later, adopted). Stalemates are scored (but later, outcome). The failure of the budget process is lamented (but ideas for evasion proliferate). The refusal to raise new taxes is condemned (as proposals to cut taxes are advanced). Incentives for savings and investment are criticised for their alleged adverse effects on the deficit (as alternative proposals to increase the deficit are advocated). Stalemates are followed by 'heroic compromises' that earn the parties self-congratulation, but somehow manage to leave much of the serious job to the future. And the public understandably grows more sceptical."

The budget proposals, as opposed to Mr Darman's stimulating analysis, are unlikely to reduce that scepticism.

Peter Riddell

● DOMESTIC SPENDING

More money to go on space, technology and the war on drugs

SPACE, civilian technology and the drug war have emerged as the leading Bush Administration priorities among the wider of domestic claimants for a larger slice of the 1991 US budget.

The Administration also proposes increasing funding for the AIDS crisis, the environment, pre-school education, hazardous waste clean-up, air traffic control and housing. Agriculture spending, which increased dramatically in the last decade, seems targeted for the biggest hit.

Under the Bush budget, the National Aeronautics and Space Administration (Nasa) wins the largest increase for a government agency, with a total budget of \$15.2bn, rising 24 per cent in the current year. The blueprint provides big increases for space activities - including research, development and operations - in support of the manned "Space Station Freedom", space shuttle flights and President Bush's proposed manned space flight to Mars.

A big increase is earmarked for the proposed manned space flight to Mars

The Administration insists that the responsibility for training the workforce rests primarily with the private sector, but it notes that minority workers, who represent about 15% of the workforce, receive only 8% of all formal training.

As a result, the Pentagon has conceded the need for lower force levels, the end of several major weapons programmes, and the closure of military bases at home and abroad.

It is tempting - but wrong - to conclude that the Bush Administration has pressed the panic button. Reports of immediate large-scale troop withdrawals from Europe, military base closures, and a retreat into neo-isolationism are therefore wide of the mark - at least in the short-term.

The really difficult decisions on US force structure begin to loom much later in fiscal 1992, 1993, and 1994 when the annual 2 per cent planned cuts begin to bite.

As Mr Sean O' Keefe, the Pentagon's top budget planner, conceded during a weekend briefing: the target of \$308bn in 1994 can only be hit if the 1991 budget request goes into effect; if planned defence management savings of \$39bn are reached; and if there is an "aggressive follow-up" of the current CFE conventional forces talks in Vienna.

The Pentagon's five-year spending plan discloses that the proposed cuts in fiscal 1991 are modest indeed. The budget request is \$2.4bn below President Bush's 1988 plan, but it still amounts to a sizeable \$26.5bn. This represents a 2.6 per cent cut in real, inflation-adjusted terms compared to fiscal 1990. But if one includes money for nuclear programmes in the Department of Energy budget, US national defence spending this year is still planned at over \$300bn.

Mr Cheney's task is to cut deep enough. As members returned to Washington this week, the phrase on everyone's lips was "peace dividend" - the savings expected to be generated by cuts in military spending to be reallocated to domestic issues such as education, "the war on drugs", tax incentives to increase saving and rebuilding America's decaying infrastructure.

In an effort to head off a stampede, Mr Cheney has pro-

posed cuts in 20 major weapons programmes, including the V-22 Osprey high-speed helicopter, the F-14 fighter, the M-1 tank, the Maverick missile, the Apache helicopter, the Advanced Short Range Air-to-Air missile and the MK 19 Grenade Launcher.

He is also calling for the disbanding of two Army divisions in Texas and Washington state; retiring two of the Navy's four Second World War battleships; and cutting active duty personnel by 91,423 to 2,038,500. Personnel in the Army and Air Force will be down to their lowest levels since 1950 (not counting reserves).

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Even more important, Mr Cheney is proposing to cut procurement of weapons from

\$32.6bn this year to \$77.9bn in fiscal 1991. Defence Department officials argue that this marks a serious effort to correct the sins of the past when, under the Reagan build-up, procurement plans ballooned out of all proportion to the amount of money which Congress was prepared to authorise. (This created the present \$180m gap between planned spending and future Congressionally funded spending which the Pentagon budget teams are labouring to close.)

Most congressional observers will note, however, that Mr Cheney is keeping as much as he is giving away. For example, he is keeping 14 aircraft carrier groups, the hugely expensive floating fortress of fighter-planes, aircraft carrier, and support ships; he is insisting on continued funding for the controversial B-2 Stealth radar-evading bomber which costs \$330m a shot; he wants to fund both the MX and the Minuteman land-based strategic ballistic missile; and he is requesting \$4.5bn for the Strategic Defence Initiative, the "Star Wars" programme aimed at providing the US with a defence against a nuclear attack.

All these programmes are considered necessary because, in Mr Cheney's words, "this is the worst possible time to contemplate changes in defence strategy".

Both Mr Cheney and President Bush will argue that they cannot make radical changes in force structure until the US

completes two far-reaching arms control agreements this year: the Start pact with the Soviet Union cutting strategic offensive nuclear arsenals by 50 per cent; and the CFE conventional forces agreement in Vienna which provides for the reduction of US forces in Europe from the current 305,000 to 275,000 (compared to a far greater asymmetrical Soviet cut).

It is questionable whether Congressional Democrats will buy this argument. Pressure is already building among the rank-and-file in the House of Representatives - led by Ms Pat Schroeder and Mr Ron Dellums - for far bigger cuts. In the Senate, Mr Sam Nunn, chairman of the Armed Services committee, is insisting on continued funding for the controversial B-2 Stealth radar-evading bomber which costs \$330m a shot; he wants to fund both the MX and the Minuteman land-based strategic ballistic missile; and he is requesting \$4.5bn for the Strategic Defence Initiative, the "Star Wars" programme aimed at providing the US with a defence against a nuclear attack.

While the odds look stacked against him at the moment, his chances of forging a consensus should not be underestimated. Mr Cheney, a former House Republican, is after all working within a political system which loves to postpone difficult issues and reacts more by calendar, than by crisis.

Lionel Barber

● DEFENCE

Pentagon aims to head off claims from Congress that 'peace dividend' is meagre

THE Pentagon's fiscal year 1991 defence budget request has already been dubbed the first post-Cold War budget.

The budget takes a mere stab at reducing the burgeoning homeless population by providing almost \$1bn for various "new approaches". Families would move out of welfare hotels. Comprehensive services would be provided for 8,000 of the hundreds of thousands of mentally ill homeless or recovering substance abusers. Funds would be shifted from the inadequately-financed low-income tenancy programmes to a scheme allowing the poor to buy public housing.

The budget proposes a \$44m "demonstration project" to help some of the elderly poor and doubles resources to \$50m for an urban homesteading programme. A new initiative would help tenant groups acquire multi-family properties currently held by the Government, and turn them over into homeownership co-operatives.

The budget document of the "education president", as President Bush said in 1988, he would like to become, turns defensive in its schooling proposals, it stresses the Administration's view of a "limited but important" federal government role in education, emphasising that although spending per pupil has risen steadily, the results of this outpouring (mainly from the states) has not been sufficient.

The Administration would add \$500m in spending authority for the much-praised "Head Start" pre-school programme for children from low-income families; a 25 per cent increase, to \$239m, for adult literacy schemes and \$30m, a 70 per cent increase, for mathematics and science education programmes.

The budget goes on to note that despite this limited role, the 1991 budget proposes the "highest spending levels ever". No real spending comparisons are included. But a proposal for \$15m for primary research and statistics research of education could conceivably produce that figure next year.

The Administration proposes spending \$4.2bn to clean up hazardous materials at nuclear plants, an increase of \$642m over the current year.

Nancy Dunne

Bush argues that radical changes in force structure must await completion of arms control deals

completes two far-reaching arms control agreements this year: the Start pact with the Soviet Union cutting strategic offensive nuclear arsenals by 50 per cent; and the CFE conventional forces agreement in Vienna which provides for the reduction of US forces in Europe from the current 305,000 to 275,000 (compared to a far greater asymmetrical Soviet cut).

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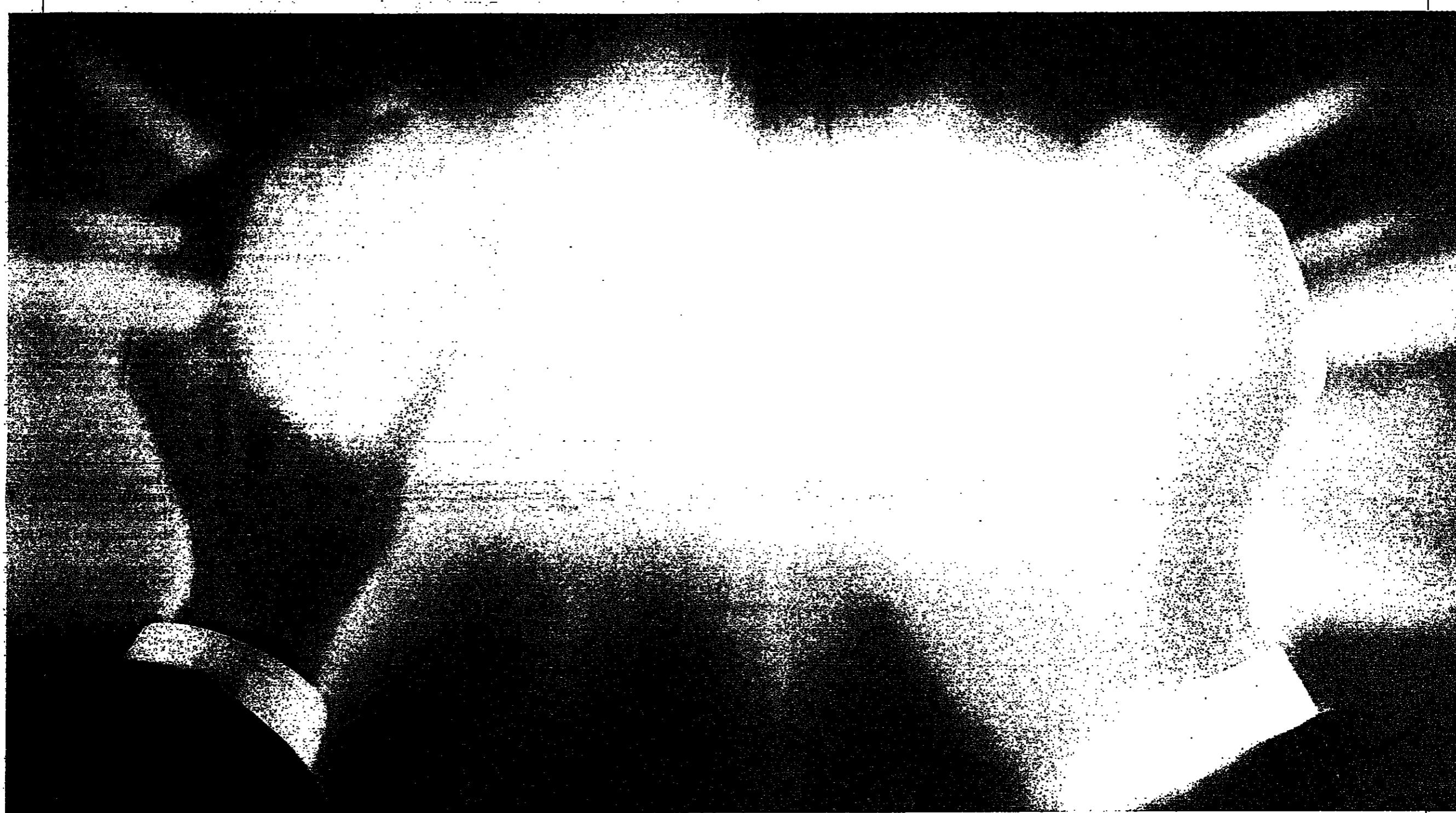
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To stimulate personal savings, a new Family Savings Account is being proposed. This would exempt from

income tax the interest income for investments held for at least three years, with a 20 per cent exclusion for gains on holdings of between two and three years, and a 10 per cent exclusion for one to two years. For investments held at least three years the maximum tax rate on capital gains would be reduced to 19.6 per cent for those in the 28 per cent tax bracket. The three-year holding period would be phased in over three years.

To stimulate personal savings, a new Family Savings Account is being proposed. This would exempt from income tax the interest income for non-deductible contributions to such accounts that are held for seven years. Non-deductible contributions would be limited to \$5,000 for couples filing jointly and \$

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UK NEWS

Receivership at Response puts 4,000 jobs at risk

By Alice Rawsthorn

RESPONSE, the UK clothing company linked to Coloroll, the troubled home products group, went into receivership yesterday putting at risk the jobs of 4,000 employees in the UK and the Irish Republic.

The news of the receivership means that Coloroll could be called upon to honour the contingent liabilities of around £24m it incurred 18 months ago after selling Response as a management buy-out team.

Last week Coloroll, which has been hit by the impact of higher interest rates on the home products market, issued a profits warning and announced plans for a financial restructuring to recapitalise its business.

Response is the latest, albeit the largest, of a number of textile companies to have gone into receivership. Recent casualties include the Oakwood Group with workforce of 2,000 and T.W. Kempton with 1,200 employees. The industry is suffering from the slowdown in consumer spending and intense competition from imports.

Ford faces disruption as strike vote passed

By Michael Smith, Labour Correspondent

FORD UK, the subsidiary of the US motor manufacturer, was faced with increased disruption to production last night after electricians voted to back a strike over pay and shop stewards representing other skilled workers moved to increased support for an unofficial stoppage.

The developments raise the prospect that a growing number of Ford's 21 UK plants could be closed by industrial action even though 58 per cent of the 31,800 manual workforce last week voted to accept the company's pay offer.

Although the electricians and other skilled workers represent less than a sixth of Ford UK's manual workers, their presence is essential for the maintenance and continued operation of plants.

A two-week strike by more than 550 skilled employees at

Response has suffered from the industry's difficulties. But its main problem was the burden of borrowings inherited in its £90m buy-out from Coloroll. The group is understood to be operating profitably on turnover of £130m. But it was unable to meet the interest on its debts and, as a result, has called in Ernst & Young as receivers.

Response is the product of a series of acquisitions made by John Crowther, the textile group taken over by Coloroll two years ago. After the takeover the Response management-led by Mr David Suddens, a former Courtaulds executive-staged a buy-out. Coloroll retained a 6 per cent stake in Response and was involved in the mezzanine financing for the deal.

Since the buy-out Response has reduced its workforce by 700 through closures and disposals. Its interests are now divided between Speedo swimwear, the WW Group, which imports clothing from the Far East; and a group of clothing companies making own label

Mixed fortunes predicted for motor industry

By Richard Tomkins, Midlands Correspondent

OVERCAPACITY in Europe's motor industry holds out the prospect of mixed fortunes for car manufacturers in the 1990s, according to the West Midlands Enterprise Board in Birmingham.

With the European market stagnating, they warn, the entry of Japanese manufacturers coupled with recent heavy investments by Europe's indigenous car makers will produce a notional overcapacity of 1m vehicles a year by 1995.

Britain can expect to gain in employment because it will benefit from the plants being set up by Nissan, Toyota and Honda, the economists say.

At Ford UK, subsidiary of the US manufacturer, the Halewood and Dagenham plants are said to be behind Continental counterparts in investment and automation.

IN BRIEF

Church says policies have widened poverty gap

CHANGES IN taxation and social security have greatly widened the gap between Britain's rich and poor and increased dependence on private charity, the Church of England says in a report published yesterday.

The report, endorsed by Dr Robert Runcie, the Archbishop of Canterbury, follows *Faith in the City*, a controversial study of urban problems published in 1985.

Some Conservative MPs condemned *Faith in the City* as anti-Government and even Marxist. Although the new report uses balanced language in its conclusions, it contains further criticism of government policies towards the poor, and its publication brought immediate condemnation from a number of Conservative politicians in the House of Commons.

Teijin promotion

Teijin, a Japanese drug company, is planning a new unit based in London to promote cooperation with European pharmaceutical groups.

In a robustly written report, the judge says that he has "grave doubts about the feasibility of the scheme and serious misgivings about its likely impact on safety".

On Part Two of the Football Spectators Act, which aims to prevent convicted hooligans from travelling to matches abroad, Lord Taylor is more positive.

He describes the proposal as a sensible measure to tackle a persistent mischief. "To adapt a famous dictum" he says "never in the field of sport has so much odium been brought upon so many by so few".

Contrary to recent speculation, Lord Taylor's objections to the membership scheme do not consist solely of a fear that congestion outside the ground would lead to a repeat of the Hillsborough disaster. He also cast doubts on the ability of such a technically complex system to function efficiently.

The report says that "the technology will not only have to be capable of fulfilling the requirements of the scheme without malfunction, in all weathers and at the stipulated

Hillsborough inquiry report



Scene of the past: the report calls for stadiums such as Wembley, above, to be all-seater and for pitch invasions to be ruled illegal.

Judge lays down the law on soccer

Philip Coggan on the robust lessons drawn from a stadium disaster

Lord TAYLOR's final report on the Hillsborough football disaster, in which 96 fans died as a result of crushing on the terraces, provides a comprehensive rebuttal of the rationale behind the national identity card scheme.

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The report says that "the technology will not only have to be capable of fulfilling the requirements of the scheme without malfunction, in all weathers and at the stipulated

speed. It will also have to be resistant to the ingenuity of those who may seek to sabotage it or find a way round it. It will need to do these things not just most of the time, but all of the time. This is a very tall order and I have the gravest doubts if it can be met."

As well as referring to the technological problems, Lord Taylor doubts whether the scheme would be effective in its aim of excluding hooligans. "A serious defect in the scheme" he says "is that the entry procedure will not involve checking the photograph on the card against its presenter. Such checking is precluded by the need for speed. But the main rationale of having a photograph of the member is defeated if it cannot be relied upon to exclude someone else from using the card."

The judge also points out that many trouble-makers will travel to matches whether or not they will be able to watch the game. "It would be surprising if hooligans... were totally to abandon their activities of attacking and baiting away supporters just because they could not themselves get into the ground." Lord Taylor concludes that in the short term, at least, the identity card scheme could actually increase trouble outside grounds.

The alternative strategy for combating hooliganism suggested by Lord Taylor

involves a combination of four possible measures. The first is developing the potential of closed circuit television and the police's National Football Intelligence Unit. The second is the creation of new criminal offences - throwing a missile, obscene or racist chanting and going on the pitch without reasonable excuse. The third and fourth measures involve proposals to exclude hooligans from grounds - by making them visit attendance centres or by electronic tagging.

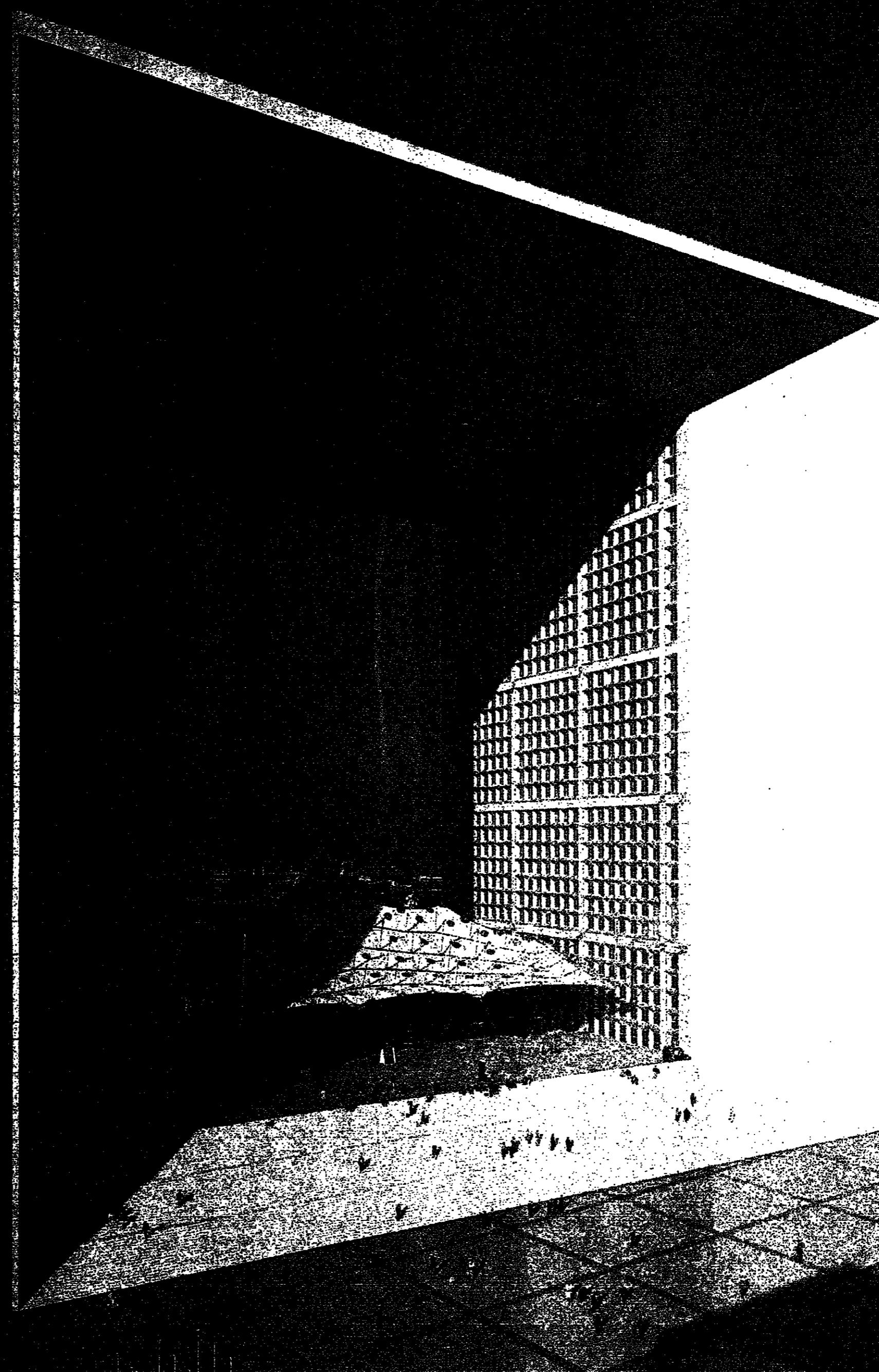
MOVING away from the question of hooliganism to that of safety, Lord Taylor's most significant proposal is for the provision of all-seater grounds by the year 2,000 along the lines of many stadiums in continental Europe. He says that "there is no panacea which will achieve total safety and care all problems of behaviour and crowd control. But I am satisfied that seating does more to achieve those objectives than any other single measure."

The judge says that seating means that spectators are not subject to bursting or swaying, that crowds can be easily monitored by closed circuit TV and that ticket forgeries can be made more difficult. He also suggests it could be made an offence to sell tickets for a football match without authority from the home club. "The fast buck should stop here" he concludes.



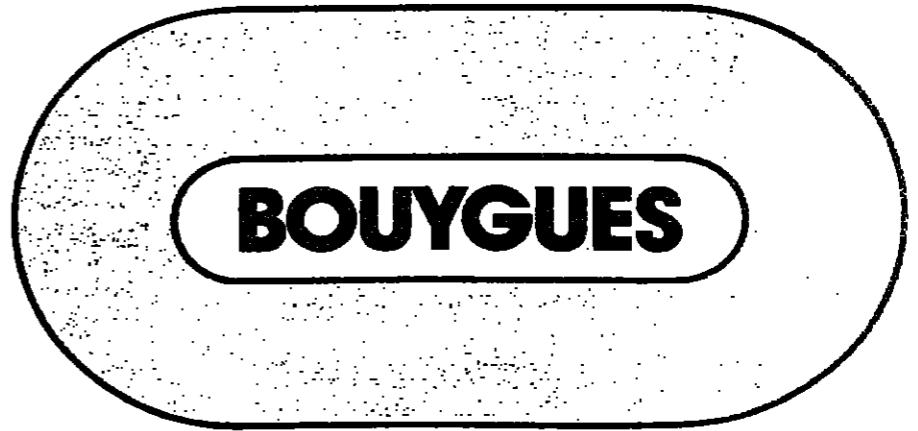
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ARCHITECT: JOHAN OTTO VON SPRECKELSEN
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UK NEWS

Bank increases cushion against Third World debt

By Stephen Fidler, Euromarkets Correspondent

NEW Bank of England guidelines on UK bank provisions for third world debt were published yesterday increasing, as expected, the cushion banks are required to hold against third world debt.

The new framework, or matrix is likely to bring some new countries into the group for which provisions are required.

Bankers said Hungary and Colombia may both be countries for which provisions are required when they were not before. This may make banks less willing to make new loans to these countries, which have not rescheduled their bank debts.

As expected, the average level of provisions will rise to roughly 50 per cent on third world exposure for UK banks.

In its letter to banks, the Bank said it had reviewed the matrix "bearing in mind the widespread market perception that the situation among debtor countries has deteriorated."

The matrix uses 16 factors — one more than in the first matrix published in 1987 — to determine roughly the adequate provisions against loans

for each lending bank.

The factors are meant first to identify countries which are unwilling or unable to meet their obligations, second to show a borrower's current difficulties in meeting its debts, and third to identify economic and other factors which may provide evidence of likely repayment difficulties in the future.

Previously, the third category of economic factors would not be enough by themselves to trigger provisions. Now, however, provisions can be triggered by such factors — the reason why countries such as Hungary will be drawn into the net.

The new matrix intends to iron out fluctuations in the level of provisions by introducing a 15-month moving average to calculate proper provisions.

The Bank had been forced into an embarrassing delay in the publication of the matrix — promised some months ago — because it was under examination by the Treasury.

If the higher provisions are allowed against tax, the lost revenues are estimated to cost the Exchequer £900m-£1bn over some years.

Hitting the headlines for all the wrong reasons

Andrew Taylor, looks at the persistent rows which could engulf the Channel tunnel project

THE Channel tunnel project seems hardly to have paused to draw breath before lurching from one crisis to the next ever since the British and French governments gave Eurotunnel the go-ahead in 1986.

This week, one of the world's greatest construction projects is again hitting the headlines for the wrong reasons.

The slow progress of engineers tunnelling beneath Europe's busiest seaport has made dull reading by comparison with stories about boardroom rows, a leaked private letter, angry personality clashes and speculation about Bank of England involvement over the appointment of senior executives.

One London manager of a foreign bank providing some of the finance to build the 50km long train tunnel said: "If the tunnel leaks as much as the Bank of England privately has expressed its concern.

It is worried that the public wrangling between Eurotunnel and the contractors could undo some of the good relations forged by Mr Morton with the international financial community.

The Bank, three years ago, sponsored Mr Morton's appointment as British joint chairman to Eurotunnel after the Channel tunnel group almost failed to raise just under £200m in an international equity issue.

Eurotunnel, as part of the refinancing arrangements, has agreed to make changes to

allow Eurotunnel to continue to build while permanent funds are put in place, have still to be approved by more than 200 international banks. These, however, may not be prepared to give their support while a deep rift exists between the contractors and a large faction of Eurotunnel's management, led by Mr Alastair Morton, its combative joint chairman.

Mr Morton has made no secret of his views that British construction companies, in the main, have been guilty of mediocre management and poor productivity which has pushed up the cost of the project. The repeated public statement of these sentiments, while reflecting the opinions of many of the banks themselves, has widened the gulf between Mr Morton and the contractors to the point at which even the Bank of England privately has expressed its concern.

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Facing the future: Eurotunnel's joint chairmen

Mr Morton subsequently was instrumental in negotiating a £65m package of loans, standby credits and equity.

The Bank regards Mr Morton's role as crucial if a tight grip is to be maintained over costs. It would, however, like to see a buffer established between Mr Morton and the contractors, provided this did not weaken Mr Morton's overall authority in negotiations with the construction companies.

The appointment would bring into question not only the role of Mr Morton within the project but also of Mr Tony Ridley, Eurotunnel's joint managing director currently responsible for contract management.

Mr Ridley has established a

good rapport with the contractors during the 12 months he has been at Eurotunnel. The construction companies would be unhappy if this relationship were to be weakened but regard the appointment of a new executive as essential if Mr Morton is to be distanced from day-to-day construction decisions.

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ship back on to an even keel.

Channel tunnel contractors and Mr Andre Bernard, Eurotunnel's French joint chairman, has also been difficult but has failed to produce the acrimony that Mr Morton seems to have generated.

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Westland plans bid for Merlin project

By David White, Defence Correspondent

WESTLAND plans to bid for overall responsibility for the Royal Navy's EH101 Merlin helicopter if the Ministry of Defence opens the job to competition.

Mr Alan Jones, chief executive of the helicopter group, based in the West Country at Yeovil, said that this would avoid increasing the delays in bringing the EH101 into production. Westland is developing the helicopter with Agusta of Italy.

Sir Peter Levene, chief of defence procurement at the MoD is known to favour inviting tenders for the task of integrating the helicopter itself with the radar and sonar equipment required for its anti-submarine role. This task could be taken over by an electronics company or a major defence contractor such as British Aerospace.

During development of the Anglo-Italian helicopter, the Ministry of Defence has until now worked on the basis of buying the aircraft itself from EH Industries, a joint venture of Westland and Agusta, and the electronic equipment directly from contractors.

However, Westland argues that it has already accumulated experience in integrating the electronic systems by flying them in a Sea King helicopter.

Mr Jones said development was "going well" with seven pre-production models already flying. The helicopter should be ready for delivery from late 1994 or early 1995, he added.

Original plans were for delivery in 1991. But the principal delay was in launching the

project, and the actual slippage in development was between six and nine months, Mr Jones said.

He rejected reports that the first 50 helicopters for the Royal Navy might cost £40m a piece, arguing that the costs would be spread by other orders, even if the Royal Air Force opted against the EH101 as a troop-carrier. Italy was due to take 38, and Canada was expected to buy about 40, possibly with 25 more for search and rescue operations.

Plans also involve a civilian version baptised Merlin. Mr Jones estimated that the most basic version of the EH101 would cost upwards from £12m.

Westland is anxiously awaiting the next stage in the Anglo-Italian agreement, a go-ahead for fitting-up in readiness for production. It is hoping this will be followed by a first production order late this year or early in 1991.

US venture to invest in European media

By Raymond Snoddy

ML MEDIA Opportunity Partners, a US media venture capital fund established by Merrill Lynch, has set up a European joint venture to look for media investments in the UK and the rest of Europe.

The new joint venture company, Media Ventures International, based in London, could have up to \$100m available to invest in suitable opportunities ranging from independent television production and cable television companies to newspapers.

Mr Peter Clark, managing director of MVI, and until recently joint managing director of Telsa Communications, the TBS Entertainment subsidiary said yesterday bidding for an ITV franchise was also a possibility.

Mr Christopher Turner, a former group chief accountant at London Weekend Television will be a director of the new company.

The main thrust of MVI's investment is likely to be in the UK to begin with but the new company is also interested in media ventures in both France and Germany.

The US directors of MVI are Mr Elton Rule, a former president of American Broadcasting Companies, the holding company for the US television network, and Mr Marty Pompadur, also a former director of ABC.

Both are involved in ownership of media properties through investment funds valued at \$1m including a newspaper in Puerto Rico and cable television companies in the US.

US media funds and media companies themselves are increasingly looking at the European market where new television channels have been coming on air and there has been a measure of deregulation.

Last year, for example, Paramount, the US film studio bought a 49 per cent stake in Zenith-Carlton Communications' independent television production arm.

Mr Pompadur said yesterday that MVI's experience of how the media market had evolved in the US combined with venture capital experience would be an effective formula for success.

• Sky Movies, Mr Super Murdoch's satellite film channel which can now be seen by anyone with a satellite television receiver, will turn into a pay television channel over the next six weeks.

Between February 5, the first anniversary of the launch of Sky Television, and March 19, an increasing number of films will be electronically scrambled so that they are unwatchable to those who have not paid a subscription of just under £10 a month. Sky successfully demonstrated yesterday its VideoCrypt system developed by Thomson Consumer Electronics, News Datacom and Sky Television.

Mr Peter Smith, Sky's director of operations, described the system based on a smart card containing a microprocessor as "the most advanced state of the art pay television system available."

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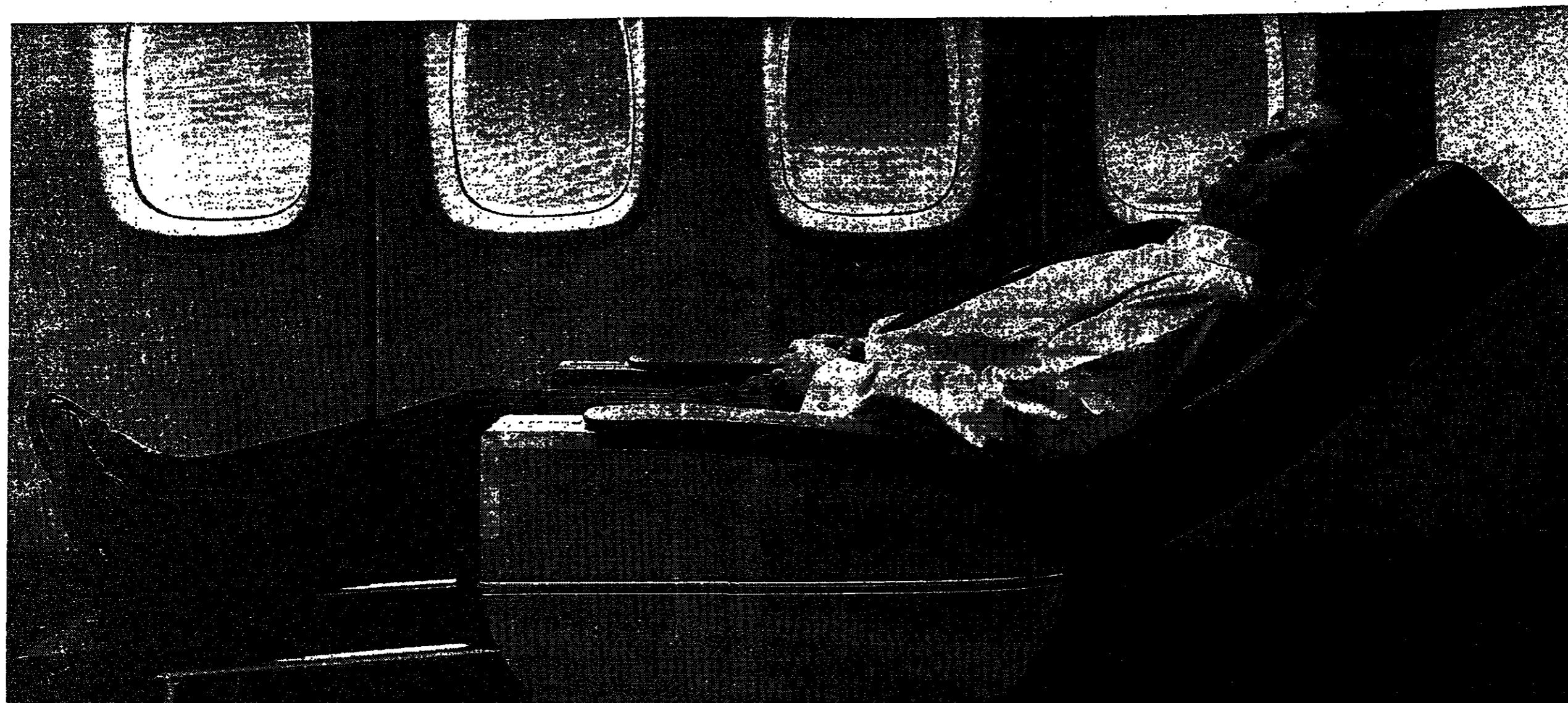
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Brave new look for the Tate

William Packer applauds the Director's radical rehang

In recent weeks the papers have been full of what was about to be discovered at the Tate, and I too, with my fellow critics, had only to ask to be allowed a preview. That early look was certainly useful, but only in the most general way. Some galleries were still closed off, much work unbung, significant rooms unfinished. It seemed to me much better to wait even beyond the private views, with their gossip and special interests, to an ordinary public day with the Tate at its proper work again. I am very glad I did.

Last Friday the Tate seemed no less busy than usual, but possessed of quite different a general mood. It must be understood, that the old arrangement of the place, historic British to the left, modern International to the right, modern British somewhere in the back, has been utterly changed, and yet there was no sense of more than momentary confusion. And it seemed so much quieter than before, with everyone so intent and purposeful, moving not across and in spite of each other, but at whatever speed to the same end.

Nicholas Serota, a mere 18 months into his term of office, has achieved that rarest of feats for any Director of the Tate Gallery, which is to win near universal praise. That he should do so by forcing through a policy that is to say the least, controversial, is only to make his success the more remarkable. First, he has cleared away every architectural intrusion, every false ceiling, screen and wall by which the Tate has been cluttered, these past 30 years, and then set about its comprehensive rehanging in an entirely new critical sequence. Serota has made no secret of

this, speaking of his hopes for reorganisation and reintegration even before he took up his appointment, itching to get his hands on the collections. In the light of his being the first director confirmed in the job for a mere five years, with no certainty of renewal, the speed with which he has acted to make his mark is hardly surprising. His great daring has been to establish a single circuit of the Tate that leads the visitor inexorably, without the least logical hiatus, from the painting in Britain of the 18th century to the latest of international modernism. The visitor may break in at any point, but with significantly fewer works now hung throughout, the whole is assimilable without rush in reasonable time.

The principle followed is that the hang should be permanent rather than the skeleton that is in the flesh, with certain key works holding their place, around which relevant works will come and go. The sense, it is hoped, will be one of such constant renewal, refreshment and redefinition of the collections that professional and amateur alike, we shall hardly be able to keep away.

The first great pleasure is to pass into the high and handsome Duveen Galleries, opened out and committed once more to their original purpose as sculpture halls. And it is down this long central avenue that we must go, past Rodin and Matisse, Miallo, Long and Matisse, Merz, Deacon and Penone to where, at the far end, we turn left into the old back gallery where once hung Sargent, Burne-Jones and other late Victorians. Here, with the Elizabethans and the Caroleans, with Hilliard and Gheeraerts, Peele, Dobson and Ley, in a room once dark but now cool and light, the sequence proper begins.

If I seem to emphasise the apparent physical changes, it is simply because to the regular visitor, they are inescapable. To turn the far corner from that first room, to confront the long vista down the Tate's entire south-western flank, with Hogarth behind and Mondrian in the distance, is to enjoy one of the more remarkable architectural frissons that London has to offer. It is suddenly borne in on us with immediate force that beneath the pictures, the Tate itself, save for the 1970s extension, was always really very good.

But the exercise is by no means morally cosmetic. What we now have is the most ambitiously didactic hang ever seen

at the Tate, perhaps at any major museum. It seeks to demonstrate the truth of two related propositions: that the art of the western European tradition is a continuum which connects the work of the past to that of the very latest moment; and that British art, far from being incidental, is integral to it and of real significance.

Thus we are shown the British School from the 16th to the late 20th century in its natural, discursive sequence and, when the moment comes, related unapologetically to current international developments. Thus the pre-Raphaelites are given their central place at last, and all the rest who make up the story of the 19th cen-

tury. And thus too a place is found at last for Stanley Spencer at the very heart of the display.

With impressionism the display becomes international and the broader context easily established, though we must wait for that crucial room, with Monet and Sargent, William Nicholson and Gwen John, Whistler, Sickert and Degas to be completed. Yet how good it is to see Paul Nash with a room to himself, next door to European surrealism, and Matisse, Picasso and Derain. So on through the 1920s and 30s, and into the extension and the post-war period, with the rooms hung with an ever braver, even prodigal simplicity.

These last rooms on the circuit, before we debouch again onto the central axis, are no doubt where we shall see most regular and radical changes made. It will be by the quality and critical energy of such permanent renewal and re-appraisal of the collections, sustained year after year, that we will come to judge Nicholas Serota's brave initiative, for good or ill. In this he asks a very great deal in terms of commitment and support from his staff, but pays them, too, the great compliment of expecting it. So far their mutual support has paid off splendidly, with real hope that no one in the longer term will be disappointed. National support is never so certain.

Mahler & Benjamin

FESTIVAL HALL

The core of the Mahler First Symphony performance given on Sunday by Klaus Tennstedt and the London Philharmonic was its slow movement. "Mit Parodie" is one of Mahler's most important markings, and the kind and degree of "vocal" nuance which the strings and woodwind applied to their brass-band and café-music imitations revealed anew the extraordinary depth of this conductor's Mahlerian understanding, his almost unequalled capacity (among today's conductors, at least) for penetrating under the skin of Mahlerian dramatic irony.

The bittersweetness was not poured on with a soubrette's compunctions and shrill outdoor refrains were not banged out with crude appetite. There was razor wit in the tracing of every detail, every note and rest-marking; the dynamic range was wide, the touch of accent and phrase-shape fleet and featherly. Because the music parodied was handled with such subtlety and musically eloquent, the multifaceted nature of the movement could be unfurled with uncommon suggestiveness.

It is, indeed, a rare performance of this much-played work that can make the listener appreciate with new understanding the many levels, psychological as well as

Music Projects

ALMEIDA THEATRE

The two programmes in the latest tranche of Music Projects' "New Images of Sound" series at the Almeida combine British and German composers: Wolfgang Rihm is represented in both, and on Sunday Richard Bernas conducted the UK première of his *Cliffre V*, alongside a piece by Hans-Joachim Hespel and two by Hans-Dieter Dillon. Rihm is one figure for whom British audiences can be excused only partial knowledge; his output is huge, and only a small fraction has yet reached performances here. Two more of the *Cliffre* series (I and VI) are to be introduced in the second concert; this one offered an uneasy mix of brassy rhetoric – some unease of pulsating orchestral momentum glitteringly sustained across a wide instrumental canvas – whetted the appetite for the completed work of the whole put them in the proper perspective.

In the first half, the orchestra had offered George Benjamin the opportunity to conduct Debussy's *Clair de lune* (not slinkily treated but full of fascinating colour shades) and his own Turner-inspired 1982 chamber work *At First Light* (its combination of obsessive urgency and superfine delicacy of sound grows more impressive with each hearing). The first British performance of Benjamin's *Cascade* – five minutes of pulsating orchestral momentum glitteringly sustained across a wide instrumental canvas – whetted the appetite for the completed work of the whole put them in the proper perspective.

Cascade is a less familiar name. On the evidence of this score, *Exquisites timbres*, he seems to have affinities both with Helmut Lachenmann and with Kargel's explorations of the politics of performance. The music seemed as concerned with commenting upon the rituals of concert-giving and concert-going as it was with the construction of an

aural image. In a larger, more formal space than the Almeida the piece might make more of its visual subtext, and give its sounds more space and perspective.

Certainly the acoustical confines of the theatre placed some constraints upon both the Dillon pieces. Neither is new, though *Windows* and *Canzone* from 1985 was receiving its first performance in London. *La femme invisible* is part of a larger sequence of pieces; heard here out of context it seemed a little short-winded (though not particularly short, at 15 minutes), but as usual with Dillon, well filled with craftily imagined complexities and enough structural benchmarks to keep the listener orientated. Though only slightly longer *Windows* gives the impression of a much more substantial work altogether, weaving skeins of intricate string lines which are marked off by the percussion and increasingly punctuated by wind. It is shapely and fascinating, though the title carries more than descriptive significance is hard to say – Music Projects loses marks for providing no programme notes, and only the briefest of spoken introductions from the platform.

Andrew Clements

Paula Robison

WIGMORE HALL

On this side of the Atlantic Paula Robison's reputation may not match that of some of her glitzy flitting peers, but as her recital on Friday with the pianist Timothy Hester underlined, she belongs unambiguously in the highest echelon.

In a programme that nicely contrasted recent American flute music with some of the instrument's French staples – Beethoven's *Syrinx*, Chaminate's *Concertino* and four of Ms Robison's own arrangements of Faure's *mélodies* – she demonstrated superlative technique, a wonderfully supple, fine-grained tone, and discreet, civilised musicianship.

In the American selection, those attributes were by no means thoroughly exploited – Lowell Liebermann's *Sonata* seemed so concerned to avoid all the contemporary clichés of flute writing that it settled upon an unsatisfying approximation to the sonorities and figuration of Prokofiev's *White Sonata*, which only made one long to hear Robison in the real thing.

Samuel Barber's *Canzone* arranges the slow movement of his *Piano Concerto* with succulent flute melodies and rich piano arabesques, while Roy Harris's strange little

Lyric Study was evidently part of a projected series composed around 1950, but only unearched posthumously among his manuscripts. The *Variations* by Robert Beaser (born 1934) were by a long way the most ambitious work of the evening, hard to grasp at first hearing and saddled with an impenetrable programme note, but undoubtedly representing a real attempt to find something new in the medium and to find the structural rigour that flute music conventionally lacks. It is fiendishly difficult for the flautist, though hardly a display piece – the inclusion of a big cadenza towards the close seemed to me a miscalculation in this highly wrought context – and has a serious undertow that sometimes wells up powerfully. The style is heterogeneous, sometimes neoclassical, sometimes more aggressively modernist, but in the end coherent. Beaser's music is entirely new to me, but there was more than enough substance in this piece to encourage further investigation, and enough superb playing to hope for Ms Robison's return before too long.

Andrew Clements

January 26-February 1

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3. Effective Date: 24th January, 1990

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By: The Bank of Tokyo

as Fiscal Agent

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Dated: January 30, 1990

ARTS GUIDE

OPERA AND BALLET

London

Royal Opera, Covent Garden. The long-awaited new production of Borodin's *Prince Igor* by Andrei Serban is a collaboration of the Royal Opera and Ballet, conducted by Bernard Haitink. At Covent Garden, the Royal Ballet plays *Le Roi et la Reine* with the French grand pas every evening until Jan 30.

English National Opera, Coliseum. The company undertakes a Berlin rarity – *Bacchus and Semele*, his late, ravishingly beautiful version of *Macbeth*, Ado Jodorow's *Faust*, in Ian Judge's deft, fast-moving production (using the original spoken dialogue), continues in repertory.

Brussels

Théâtre Royal de la Monnaie. The Russian season in Mozart's *Coriolan* conducted by Sviatoslav Richter, staged by Karin Bondy, designed by Kari-Ernst Hermann.

Palais des Beaux-Arts. The London Contemporary Dance Theatre in *To Catch a Thief* choreographed by David Dawson. The Royal Ballet and Orchestra conducted by Alexander Kopylov in *Giselle* with Natalia Bessmertnova and Irak Mukhamedov.

Antwerp

Koninklijke Vlaamse Opera. The Royal Flanders Opera in Haydn's *La Flora* and La Petite Poucette conducted by Sigiswald Kuijken.

De Singel, Compagnie Preljocaj in *Les Noces* / *La Chambre* choreography by Angelin Preljocaj.

Liège

Théâtre Royal. The Royal Wallonia Opera in Massenet's *Don Quichotte* conducted by Paul Benoit.

Vienna

Staatsoper. *Carmen* conducted by Claudio Abbado; Ballet: *Dornröschen*, choreographed by Rudolf Nureyev and conducted by Peter Keuschner; *Lochberg* conducted by Claudio Abbado.

Volksoper. *Der Liebster des Leidens*. *Die Fledermaus*, *Die Fledermaus* and *Eine Nacht in Venedig*.

Milan

Teatro alla Scala. Excellent production of *Giselle* directed by Bernard Sobczak and Robert Hill, and Giorgio Strehler's production of Beethoven's *Fidelio* conducted by Lorin Maazel. (80.51.26).

Rome

Teatro dell'Opera. Puccini's *Madame Butterfly* conducted by Pier Giorgio Morandi (80.41.75).

Turin

Teatro Regio. Puccini's *Turandot* conducted by Yuri Abramovitch, with Elena Manti Nunziata, Sophie Larsson, Nicola Martiniucci and Mario Bolognesi (80.51.26).

Venice

Teatro la Fenice. Claude d'Anna's revival of Leoncavallo's *La Bohème* opens the autumn season (80.10.16).

Berlin

Opera. *Die Zauberflöte* conducted by Heinz Holliger; *Die Hochzeit des Figaro* stars Julia Verladi, Catherine Malfitano, Ruthild Engert, Patricia Johnson, Andreas Schmidt and Manfred Henni. *Elektra* is led by Gwyneth Jones. In the title role, *Der fliegende Holländer* continues thanks to Robert Hale, outstanding in the title role. *Die lustigen Weiber von Windsor* rounds off the week.

Hamburg

Opera. *Momente* under the superb musical direction of Gerd Albrecht. *Oello* features Linda Peacock, Olave Fredricks, Wladimir Altonow and Franz Grundheber. The ballet *Peau d'âne*, specially composed for Hamburg by Alfred Schmidler has wonderful John Neumeier choreography.

Cologne

Opera. Jochen Ullrich's ballet *Liù*, danced to music by Nino Rota will have its world premier this week. *Die Fledermaus* is a repertoire performance.

Frankfurt

Opera. *Pariser* is jointly choreographed by William Forsythe, Susse Marshall and Amanda Miller, danced to music by Bill Frisell, Beethoven and Gavin Bryars. Also William Forsythe's

musical *Isabelle's Dance*. *Iphigenie en Tauride* by Glinka will have its première this week. *Der Zauberflöte* also features

Bonus

Opera. Last performance of Jorge Laredo's wonderful *Andrea Chenier* production. Further performances of *Yours Vamos* ballet *Spartacus*.

New York

Metropolitan Opera. Harold Prince directs a new production of *Faust*, conducted by Charles Dutoit. Nello Santi conducts *La Gioconda* in Bruce Dowdall's production.

FINANCIAL TIMES

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Tuesday January 30 1990

The fudge ceremony

THE US BUDGET has become an annual rite in honour of wishful thinking, and it seems clear that this sad waste of time is to continue indefinitely. In theory, both the Administration and the Congress are devoted to an austere process of deficit reduction which will restore balance in three years. In practice, the Administration proposes a set of measures which it knows will be drastically altered in Congress, resulting in a projected deficit which nobody believes. Much of the legislative year will then be wasted in bickering.

At the end of the bargaining and the vetoes, a new set of measures will be signed, which the Administration will certify will produce the deficit laid down in the Gramm-Rudman-Hollings Act. A few weeks later, the Administration will admit that this result is quite unattainable. Thus the President's budget proposals published yesterday were accompanied by an official estimate from the Office of Management and Budget that the 1990 deficit (for the year which started in October) will be just under \$123bn. This is the result of the same measures which were certified only a few weeks ago to imply a deficit of \$100bn, and which according to the Congressional Budget Office will actually produce a deficit of \$137bn.

Trivial sums

In terms of the US economy as a whole, let alone of the entire developed world economy, these sums are trivial. The Gramm-Rudman process does put real downward pressure on spending, and so helps to stop the situation getting any worse; and it would make only a modest further difference if the targets were actually hit instead of being ritually missed. The outcome is probably as good as it is realistic to expect in the political circumstances in which the President is advised that his no-tax pledge is essential to his party's future. The Democrats must defend welfare for their party's sake, and in which neither dare reduce their past commitments to the retired.

In many ways the 1990 proposals are as deceptive as ever. Above all, the claimed reduc-

tion in the deficit is largely due to the growing revenue from social security taxes. This means simply that the US is using the retirement savings of ordinary workers to pay interest on the national debt. If a private scheme was run in this way it would be described as a Ponzi scheme, and its trustees could be sued for fraud. Unfortunately the illusion that the US system is soundly funded does not come free; it is the main justification for the claim by the old age lobby that retirement benefits have been fully bought by the beneficiaries, so that any reduction would be theft. Senator Moynihan's proposal to cut the social security tax would paradoxically make the future burden more obvious even while cutting current payments.

'Peace dividend'

However, although the claim that the deficit is being eliminated conceals the truth that it is probably rising a little, there is one clear hope for a better outcome: the "peace dividend" is not being collected in 1990, but a significant instalment of it may become payable after the scheduled arms negotiations. It seems clear that the Pentagon's very cautious approach to defence cuts has much more to do with preserving its bargaining chips than with planning for any real military contingency. The proposed \$6bn policy cut in defence spending could grow to something near \$45bn within three years or so. This could bridge perhaps half the gap between the claimed deficit and the likely outcome.

None of this alters the conclusion that the US budget process has become a machine for avoiding hard choices rather than for forcing the politicians to face them. The proposed capital gains tax cut may encourage a few start-ups, at a large cost in distorted incentives, and there is a very modest proposal to encourage personal savings accounts. But there is still no language to suggest a serious attempt to raise the national savings rate by the two or three percentage points needed to put the US on a path of independent growth instead of external dependence.

A government for London

YESTERDAY'S proposal by the British Labour Party that there should be a new, elected, strategic authority for London begs many questions. It is in fact just part of a manifesto for the May local elections. It should now be seen to be taken seriously. The degeneration of many London streets and the absence of a strategic plan for Britain's capital city are surely not unconnected with the fact that since the disappearance of the Greater London Council nearly four years ago there has been no single, controlling, metropolitan authority. This is not to call into question the abolition of the unwieldy, profiteering, and inefficient GLC itself; the issue now is whether, and in what form, a new London government should be established. Labour says it will be "lean and tightly managed," but more detail will be required if that phrase is to sound convincing.

The first problem is that during most of the postwar period the structure of London government has been a political football. The Tories did not like the old London County Council, whose electors tended to return Labour administrations, so it added in Conservative outer suburbs to create the GLC, which it got rid of after it was found that that, too, seemed likely to be Labour-run in most years. Labour's last period of office at County Hall was marred by an incompetent and provocative Labour-left programme, which did nothing to enhance the prospects of the party nationally. The leader of the Labour Party, Mr Neil Kinnock, would do well to nail this issue by proclaiming now that the new London council will be elected by proportional representation; this is an implicit option in Labour's plans for regional government, of which the London council would be a part.

Responsibilities defined

A further task is to establish just what it is that a new London council would do. Labour's proposal is that it will oversee public transport, regional planning, roads, the police, fire services and waste disposal. All of these are likely to be best managed by a central city authority, although transport in particular requires decisions that

Japanese companies are building a commercial empire in east Asia.

Operating in the fastest-growing region on earth, Japanese businessmen are seizing opportunities which many of their Western rivals are failing to grasp. The position of European and US companies is still strong in east Asia, but it is weakening daily - diluted by the flow of Japanese capital, technology, trade and government aid.

So far the battles are largely being fought in the corporate arena. But with tensions between the West and Communist countries easing, economic conflicts between the West and Japan are becoming increasingly political. East Asian countries, once mostly colonised by the Europeans and later strongly under the influence of the US, may be increasingly forced to choose between these older links and their newer ones with Japan.

Japanese officials are beginning to acknowledge the true scale of the country's regional influence. In an unusually frank report last year, the Government's Economic Planning Agency said: "The position of the US has dropped in relative terms... Japan's position has risen dramatically."

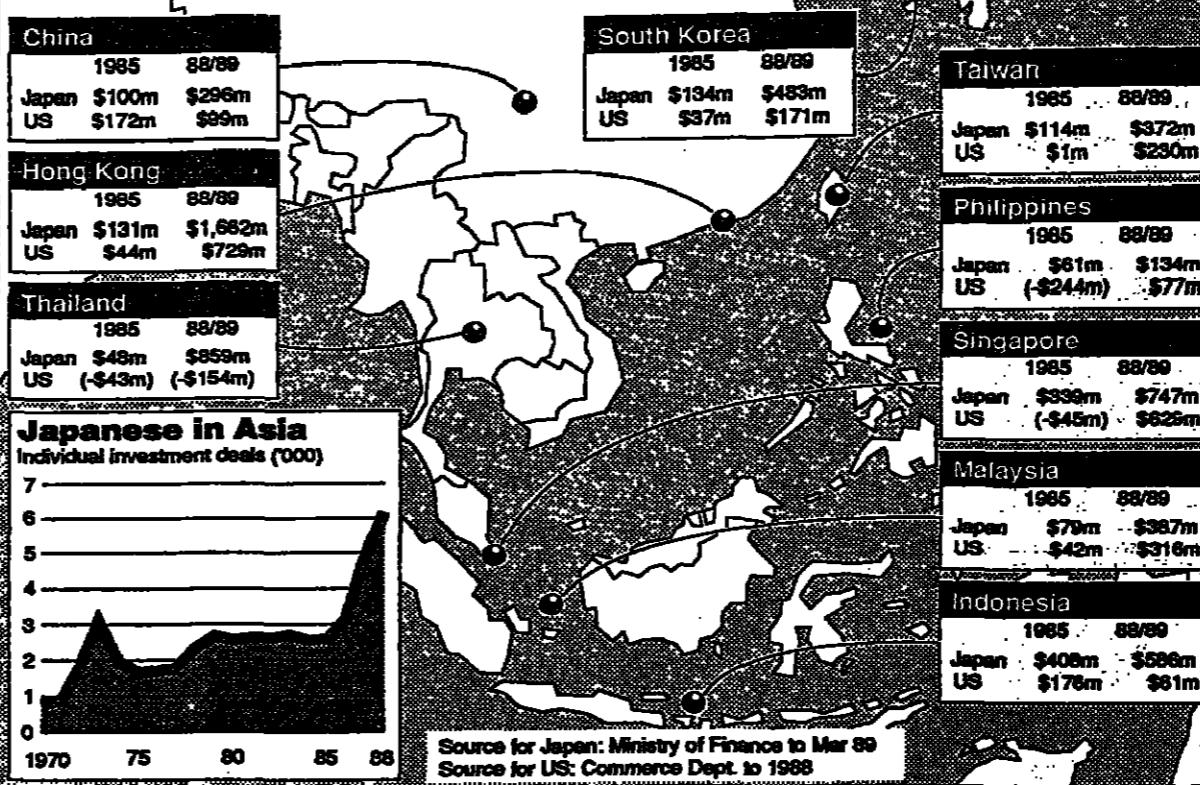
Others put it more bluntly. "Americans, British, French all make a lot of noise. But the Japanese are the real power in Asia," says Mr K C Kwok, an economist at Hongkong and Shanghai Bank in Hong Kong.

Some Asian countries feel threatened by Japan's resurgence, particularly those which harbour memories of Japanese rule during the Second World War. But for the most part they are prepared to swallow

Stefan Wagstyl finds that Japanese business is leaving its US and European rivals standing in a fast-growing market

Japan sets its stamp on east Asia

Direct investment flows to East Asian countries



Research Institute, Japan takes 25 per cent - the biggest share - of Asian's exports, principally oil and gas and raw materials. For the NIEs, the US is the pre-eminent market, accounting for 31 per cent of exports in 1988. But Japanese imports from Asia are growing fast - by 20 per cent last year to \$85bn. Meanwhile Japan has long been east Asia's biggest import source: supplying vital machinery and office equipment.

Japan overtook the US in the mid-1980s as the largest provider of foreign capital to the region. In the year to March 1989, Japan's flow of direct investment to Asia was \$5.6bn, compared with \$1.4bn in 1985. The nearest comparable figure for the US (for the calendar year 1988) was \$2.8bn. Japanese investment in the US and Europe is greater than in Asia. But relative to the size of the region's economies, the Asian investments are huge - four times more for Thailand than for the US, for example.

As for government aid, Japan, the world's largest donor, provides 60 per cent of Asia's Official Development Assistance - a sum which accounts for about 80 per cent of Japan's aid budget. The microeconomic details are just as compelling.

Japanese banks account for 56 per cent of bank deposits in Hong Kong. Japanese department stores have 30 per cent of the colony's retail sales. At night the names of Japanese companies in neon lights illuminate Hong Kong's harbour. In Malaysia, one Japanese company - Toyota - accounts for a quarter of the nation's textile exports. In Thailand, most of the cars clogging Bangkok streets are made at local Japanese-run assembly plants.

Western companies are by no means out of the race. Many Western companies in east Asia are at least as strong as the Japanese. Exxon, Shell, British Petroleum and other Western oil groups dominate oil and gas exploration and production. IBM is the biggest supplier of large computers. The top companies in chemicals and pharmaceuticals include Du Pont, the US, ICI, the British group and BASF, of West Germany.

Japanese bankers may have the deepest pockets, but other banks expect better connections - including Hong Kong and Shanghai Bank, Standard Chartered Bank and Deutsche Bank.

However, US and European businessmen concede that overall they are not matching the Japanese effort. "Japanese don't necessarily see opportunities first but pursue them more actively," says Mr Martin Barrow, a director of Jardine Matheson, the Hong Kong trading house.

Politicians often feel the same. Mr Chatichai Choonhavan, the Thai prime minister, recently told a US news agency: "You Americans don't compete enough with the Japanese. I don't want my children to speak English. I want them to speak Japanese."

Indeed some Japanese say their biggest competitors in Asia are not Westerners but other Asians, especially internationally minded Korean, Taiwanese and overseas Chinese businessmen. Sir Y K Pao and Mr Li Kasheng, the heads of two of Hong Kong's biggest trading houses, for example.

Or the chiefs of the large Korean conglomerates - Samsung, Hyundai, Daewoo and Lucky-Goldstar.

Western executives say Japanese companies are succeeding for the same reason as elsewhere - willingness to think long-term. Mr Tom White, chairman of the Asia-Pacific Council of American Chambers of

Commerce, says: "I don't subscribe to the view that US and European companies are out of it. But the Japanese are more aggressive. They can get cheap capital. We can't."

The Japanese acknowledge that east Asian markets are often small, but they look at the growth rates achieved over the past decade and extrapolate them into the 1990s.

Senior Japanese executives in activities as diverse as banking, motor, electronics and hotels expect east Asia to generate an increasing proportion of their international profits.

Japanese companies are ready to take risks. Yachan, a retail group, with 35 per cent of its sales overseas, rates east Asia's prospects so highly that it is this year moving its headquarters from Japan to Hong Kong.

Japanese companies are well advanced in developing international networks in the region - for example Matsushita, Electrical, Industrial, the electrical combine and Toyota, Nissan and Mitsubishi Motor, the car makers.

By melding Japanese managers, technicians and machines with low-cost local workers, Japanese companies profitably produce "value-adding" advanced goods for export. Mitsubishi Motor exports Proton cars from Malaysia to the UK and Lancars from Thailand to Canada. This year it is considering exporting station wagons to Japan.

There is nothing new about transferring labour-intensive work overseas to low-wage countries. Japanese industry has only around 5 per cent of its production overseas compared with 20 per cent for the US. But Japan is likely to catch up - The Ministry of International Trade and Industry estimates key sectors, including

autos, machine tools, and industrial electronics, could have 30-50 per cent of their output abroad by 1995-2000. Consumer electronics could point the way - 90 per cent of Japan's fans are already made abroad as are 60-65 per cent of its radios and radio-cassettes.

The corporate giants are being followed by their parts makers. Japanese companies are particularly persistent in keeping control of the manufacturing process. Mr Izumi Hara, an economist at the Industrial Bank of Japan, says: "Japanese companies never quit any product area so they do not lose technology, even if it means going to China to make black and white televisions."

The Japanese corporate advance generates some tensions. In Hong Kong, Japanese construction companies have been accused of unfair trading in making low bids for large contracts.

In Thailand local businessmen have complained about Japanese companies poaching their best engineers. But there has been no repeat of the Tanaka riots - demonstrations which met a Japanese prime minister's visit to Asean countries in 1974. The passions aroused by Japanese land purchases in Hawaii and Australia have no parallels in east Asia. Nevertheless, Japan has to tread carefully. It is respected but it is not liked.

In Korea people who install satellite dishes to pick up Japanese television broadcasts are denounced as unpatriotic. In Thailand, architects have complained that a Japanese-funded Thai cultural centre is too Japanese in design. Young Asians studying overseas prefer the US, Europe or Australia to Japan. Japanese popular culture makes inroads but it is insignificant alongside Western (principally American) influences.

Japan has been reluctant to cast itself as the region's leader for fear of evoking memories of the wartime Greater East Asia Co-Prosperity Sphere. It is also wary of exacerbating trade friction with Europe or the US by promoting any kind of formal regional economic alliances. Last year it co-sponsored an Asia-Pacific ministerial conference held in Canberra but only after allowing Australia to take the initiative and insisting that the US be included.

Moreover, while the US is pressing Japan to assume a bigger share of aid and defence costs in the region, it is reluctant to cede influence. Last year, at the Asian Development Bank, for example, a Japanese-inspired plan for increasing the bank's role had to be heavily watered-down at the US's insistence.

Japanese government officials sometimes create the impression that it is only a matter of time before Tokyo unveils a regional masterplan. They talk vaguely of promoting "regional cooperation." But though the Japanese Government continues to supply ever-increasing amounts of aid, it has given no indication that it wishes to - or feels it can - fashion political initiatives in the region commensurate with its commercial influence.

In the meantime, Japanese officials can take comfort from the fact that even though Japanese companies are pursuing their own ends in the region they are also contributing to the economic development of a significant part of the Third World.

As Mr Saburo Okita, a former Japanese foreign minister, says: "If we solve the north-south issues here we can be an example for the rest of the world."

Foggitt sets it straight

■ Bill Foggitt, the Thirsk weatherman has not quite completed his sums, but thinks that this month could go down as one of the mildest Januaries this century. The ones to beat are 1975, 1932 and 1917, all about 4 deg F above average.

The warmest day in Thirsk this month was January 15 when the thermometer hit 60 deg F, but while the mild weather has coaxed out a profusion of winter-flowering jasmine, snowdrops and crocuses, it has not yet brought out the blackthorn, witnessed only once in January during Foggitt's lifetime.

He is not put off by the notion that the greenhouse effect is here to stay. "We have had five winters before," he says. "The Tay Bridge was blown down in 1879, the Eddystone Lighthouse was blown away in 1707 and the Armada was scattered by gales in 1588, but they didn't know about the greenhouse effect in those days."

Foggitt's popularity in the Three Tuns in Thirsk has grown measurably since he received the gift of a supply of beer from the FT at Christmas. It even made the local press.

"I have a few little parts," he said. "My sister's friend called in one time. She is 85 and can drink sherry as if there is no tomorrow. She has to be restrained."

A further presentation arrived from the Meteorological Office - a large book on the countryside in honour of 75 years of continuous records from the Foggitt family.

After Henry V

■ The Kenneth Branagh phenomenon marches on. Not only has his Henry V been named best British film of the year; CBS UK has taken a 15 per cent stake in the company behind it, Renaissance Films



"What am I supposed to do with all these forged ID cards?"

Peters of Pimlico writes that since the mighty Fowler never mentioned the double genitive, "he must have thought it quite normal and unquestionably acceptable."

Peters says that if Observer wants to take on the role of pedagogue, he should start work on the paper's writers rather than its readers. He claims that we nearly always misuse the word "protagonist" and cannot tell the difference between "faun" and "lout".

Indeed most readers really want a campaign for something else. David Sinclair, a mathematician from Hampshire, complains about the use of a singular verb with a plural noun, especially on the BBC weather reports. For example: "Here's a couple of examples of the charts." Sinclair also raises the question: What is the origin of "yours" as in "yours faithfully"?

H E Rylands of Kewick wants a campaign against the use of the word "eponymous", which he says most people either use in the wrong context or do not understand: as, for instance, in "the eponymous

Double trouble

■ Whether Observer's campaign to eliminate the double genitive is making ground remains debatable; it has certainly stirred up interest. Don

Gerald Ratner". Stephen Macklow-Smith of North London says that the origin of the double genitive lies in a form of the French superlative, then goes on to tell a long story about a man from Credit Suisse First Boston who over-indulged in a restaurant in Knightsbridge, but was well looked after by a taxi-driver and his wife in Wanstead.

Friendly bombs

■ One of the troubles with the European Fighter Aircraft is its name, especially in West Germany where the general mood has become very pacific. Even the three-nation Tornado may not have got very far if it had continued to be called by its original title: the Multi-Role Combat Aircraft (MRA).

To the Germans, the EFA has been known until now as the Jager-80. Yet the idea of the "hunger-fighter" is clearly too bellicose for an increasingly anti-military and environmentally-conscious public. The EFA's promoters say that as a defensive aircraft, the Anglo-German-Spanish Interceptor should be ultra-acceptable to the new Gorbachevian world of "defensive defence".

<p

LETTERS

Building on the UK's natural energy resources

From Mr M.J.S. Gibbons

Sir, Your columns in recent weeks and the increasing concerns within UK industry about future electricity prices for large users have again raised the issue of the relationship between industrial and domestic prices for electricity. The Director-General of the Confederation of British Industry (Letters, January 13) gave evidence that UK large users' prices are already higher than several European Community countries. He might have added that the domestic price of electricity is the lowest in the European Community.

ELECTRICITY PRICES (domestic/industrial ratio)	
1986	1988
Belgium	2.51
Denmark	2.42
France	2.62
Germany	1.73
Ireland	1.58
Italy	1.54
Netherlands	2.13
United Kingdom	1.47
	1.46

Source: EA

According to figures published by the Government in a written answer to the House of Lords on December 5 last year.

Privatising BR as a unit

From Mr David Savers

Sir, Mr Davies (Letters, January 20) asked what form of privatisation I would recommend for British Rail. In an earlier article ("Privatise it but do not split it up," FT, June 8 1988) I argued that BR should be privatised as a single unit, because all means of dividing it up were impracticable. I have not changed my views.

As I argued in the article to which Mr Davies refers ("Removing the politicians from the driver's seat," Jan-

I thought your readers would be interested in further analysis of the figures. I have represented the figures (the original source used was the International Energy Agency) as a ratio between domestic and industrial prices.

Thus the difference between small and large user prices is least in the UK and, if we are to believe the current rumours, is likely to reduce further. By contrast, in the rest of the Community the trend appears to be of increasing divergence.

Have the UK accountants who allocate costs between these sectors gone to a differ-

ent school? It would seem that the rest of the Community can justify these differences. Whatever the reason, large users in the UK still await the opportunity to build on the strength of the UK's natural energy resources through internationally competitive prices which would underpin the long-term future of several UK manufacturing industries.

M.J.S. Gibbons,
Energy Policy and
Purchasing Manager,
ICI Chemicals & Polymers,
PO Box 90,
Witham,
Middlebrough, Cleveland

Not forgetting Faraday

From Ms Elizabeth Morris,
Mr J.C. King and
Mr K.W. Nicholls

Sir, We would question Barbara Durr's assertion ("Well-placed Chile made in the logistical battle for Antarctica," January 11) that the Chileans operate "... one of the continent's three most important meteorological stations" with the other two being run by the US and the Soviet Union. If any station in the Antarctic peninsula is worthy of this accolade, then Faraday, operated by the British Antarctic Survey, must be the strongest contender.

Faraday Station, situated in the Argentine Islands some 300 miles south-east of the Chilean base, Lieutenant Marsh, has operated a full meteorological programme since 1947 and thus holds the record for the longest series of continuous climatological observations from the Antarctic peninsula. Marsh is a relative newcomer, with observations starting in 1960. Regular observations of ozone, and

upper-air measurements using meteorological balloons, were started at Faraday in 1956.

Faraday's record is of intense interest at present. Climate models used to predict the results of a greenhouse warming show an amplified temperature increase in polar regions, particularly in the Antarctic peninsula. Long-term climatological observations are needed to show even this magnified change: the record from Faraday is only now demonstrating a statistically significant warming trend (not necessarily associated with the greenhouse effect), and it will be many years before such evidence is available from Lieutenant Marsh.

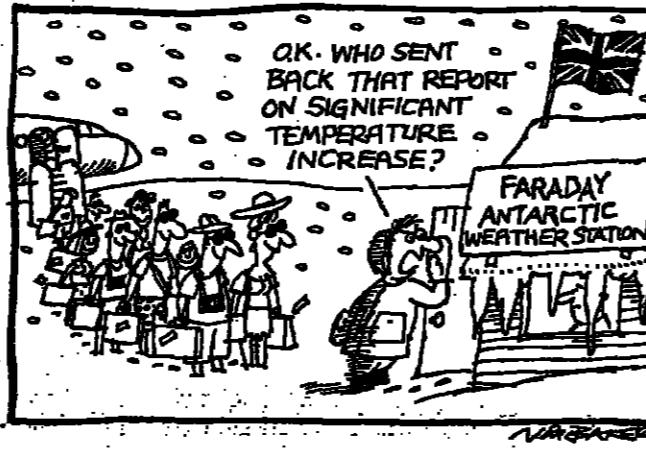
Forgive us if we sound a little

partisan - but we are

proud of our station and of the

research we conduct there.

Elizabeth Morris,
J.C. King K.W. Nicholls,
British Antarctic Survey,
High Cross,
Madingley Road, Cambridge



Increase in unit trusts

From Mr J.S. Fairbairn

Sir, Lex comments (January 25) on the recent growth in the number of unit trusts to 1,379 and states that such a plethora may be good news for managers but it is far too many for small investors. He then suggests, illogically, that small investors would be better served if investment trusts were "allowed to compete."

Lex seems to have got things the wrong way round. A wide choice is usually regarded as an advantage for consumers, especially today in financial services, where independent advice is widely available from a closely regulated intermediary sector - dismissed disparagingly by Lex as "commission merchants."

Many managers on the other hand find the "platform" a bur-

den and the obligation to continue managing a unit trust which fails to reach break-even size can result in serious loss.

The question whether investment trust companies should be "allowed to compete" is a separate issue. But if they ever are, ways will have to be found to subject them to the same stringent regulations as have been designed for protecting investors in unit trusts.

The latter were actually designed for mass marketing, which accounts for their restrictive investment and borrowing rules and the requirement that investors can at all times redeem their units at asset value on demand.

J.S. Fairbairn,
Chairman,
Unit Trust Association,
65 Kingsway, WC2

Some lessons from Japan

From Mr Denis MacShane

Sir, Japanese unions, wage bargaining and industrial relations systems are very different from those in Britain but do not merit the dismissive putdown from Mr John Crump of York University (Letters, January 25).

Low pay, exploitation of immigrant workers and discrimination against women are all as evident in Britain as in Japan. I do not know Mr Crump's age but I can assure him that these problems existed before the beginning of Mrs Thatcher's reign.

The major difference is that Japan opted for a path of manufacturing-centred economic growth and Japanese unions supported that policy by linking wage increases to productivity over many years. The result is a very rich Japan in which workers receive a share and differentials between managers and managed are the flattest in the industrialised

world.

The centralised bargaining system, similar to that in West Germany and Sweden, is a major contributory factor to high wages and good workplace relations.

Japanese unions have focused on economic questions and Japan lacks the social and welfare structures developed in post-war western Europe. The big question now is whether Japan's wealth will be used to improve the quality of life of its people other than through the pay packet.

But in terms of wage bargaining systems and workplace relations it would seem rather arrogant to suggest that British managers, unions and even York University academics have nothing to learn from Japan.

Denis MacShane,
International Metalworkers'
Federation,
54 bis, route des Acacias,
CH-1227, Geneva

A dish for languages

From Mr Barclay Dutton

Sir, Mr. David Steeds (Letters, January 22) need not invest over £2,000 to receive foreign satellite television. A dish for the Astra Satellite has recently been advertised, including installation for £199.99. Or you may choose to rent it from Sky Television for £4.49 a week.

This dish will let you see three German channels, namely RTL plus, SAT 1 and PRO 7.

Other channels for which

you would need additional decoders and probably the programmers' agreement are: Teleclub (Pay TV, German), Radio Tele Verodique (Dutch, multilingual), TV3 and TV1000 (movies aimed at the Dutch, Belgian and Scandinavian markets).

Astra will launch a second satellite at the end of this year. Barclay Dutton,
Barclay Dutton Associates,
80 Harmer Green Lane,
Wetherby, West Yorkshire.

Tax incentives for United Kingdom savers

From Mr P.D. Hale

Sir, Your editorial comment ("Incentives for UK savers," January 25) suggests that the Chancellor of the Exchequer by incorporating deposit accounts within personal equity plans (Peps) would do something imaginative for those ordinary taxpayers who have received little help or encouragement to save in the past.

In fact, such accounts are already a permitted form of investment within a Pep. Further than that, cash received into a Pep must, pending other investment, be held in an interest bearing bank or building society account.

However, while the Pep investor will generally be relieved of higher rate income tax on the interest, he is like any non-taxpayer, unable to reclaim the composite rate tax paid by the deposit holder which is treated as a basic rate income tax credit on his interest.

The solution that you should

Market-driven training

From Sir Charles Villiers

Sir, Your editorial comment ("The education decade," January 15) was followed by Mr Michael Howard, Secretary of State for Employment (January 22), saying that the development of eastern Europe would mean many more countries able to make things that do not require high skills and that Britain's hope of becoming a high wage economy was achievable only if the necessary skills were developed by a boost to training. Right!

What sort of training?

Sophisticated modern products are not produced in the same way as mass produced commodities, for which skills are simple, well known and easily taught on the bench. They were the foundation of Britain's strength and wealth - and still are.

We have now come to customised, one-off products made to infinitely variable computer programmes. This process is

knowledge-intensive and it will become more so.

Britons are in fact good at this. Japanese managers of Welsh plants have said that the local workforce is their best, worldwide. Britons enjoy this sort of work, which requires flexibility of thought and imagination, quick response to problems, enough knowledge to dare to innovate and suggest alternatives and confidence in computers in all aspects of business.

We do have curricula which teach this culture, but they are at present only for specialists. They should be available to all. That is why we should introduce training vouchers, as proposed by the Confederation of British Industry. Training would then be market-driven and we should get out from under the inherited industrial culture.

Charles Villiers,
Blacknest House,
Sunninghill, Berkshire

Justice and the poll tax

From Mr M. Swiss

Sir, The judiciary is coming round to the view that a fine of, say £350, for a small offence may mean a fortnight's income to one and the earnings of a day to another, and that fines should therefore be adjusted to

this factor.

So why is it that all are being asked to pay about £350, irrespective of income, in the case of the community charge?

M. Swiss,
277 Valley Road,
Sherwood, Nottingham

savings and investment does not.

Equity investment often made out of taxed savings is penalised through capital gains tax unlike other forms of savings. Only from artificial or controlled means (such as Peps) can capital be sheltered from a tax on enterprise - and even then unquoted or private companies are excluded.

The Government in seeking "a level playing field" has raised a tax on gains to 40 per cent at the margin, a massive disincentive to save and invest capital. American experience shows that lowering capital gains tax raises tax revenue.

If a saver spent his gains, VAT would still be collected rather than part of his gains ending in the hands of the Pep administrator. Why not give savers the incentive to invest and make gains by abolishing capital gains tax and truly levelling the playing field.

J. Charles Maisey,
Simmons & Simmons,
14 Downing Street, EC2

The Russian workers were afraid of arming the Azerbaijanis, whom they rightly considered unreliable from the Russian point of view. The Azerbaijanis on the other hand became hysterical at the very suggestion of arming the Armenians. Baku lived in constant fear of race riots, while the Russians believed that the disintegration of their army on the Caucasian front would lead to the extermination of all the Russians in Azerbaijan.

That passage, which could have been taken almost word for word from a number of press reports over the last fortnight, in fact describes the situation in Baku at the end of 1917. It comes from an excellent book long since out of print, but which an enterprising publisher should surely now reprint in a hurry. Firus Kazemzadeh's *The Struggle for Transcaucasia (1917-1921)*.

The story is a tragic one and, contrary to Marx's dictum, it shows few signs of being less tragic or more farcical second time round. If anything, nationalist and ethnic animosities are stronger and more widespread in Transcaucasia today than they were 70 years ago. Perhaps the only hopeful difference is that this time the disintegration of Russian power is not the result of world war. That should reduce the chances of Transcaucasia being invaded, and its domestic politics twisted back and forth, by foreign powers either at war with Russia, as Ottoman Turkey and Imperial Germany were in 1917, or nominally allied with it, as Britain was.

Even that is not certain, however. Already events in Soviet Azerbaijan have aroused intense interest in Turkey. Pan-Turkism, an ideology which had been almost defunct, has reappeared on the streets of Istanbul. Fellow-feeling between the Turks of Turkey and the Azerbaijanis (who speak a closely related variant of Turkish) seems to be just as strong as it was in 1918. Happily Turkey is not at war and therefore does not have war aims, such as the seizure of the Baku oil fields or the expulsion of British troops from Persia and Mesopotamia. But it does have a record of military intervention to protect ethnic Turks outside its borders (in Cyprus), and many Turks share the Azerbaijanis' deep fear of and hostility to the Armenians.

In the event of a complete breakdown of Soviet power in Transcaucasia (which seems quite close now), accompanied by further mutual massacres and/or an Armenian invasion

FOREIGN AFFAIRS

No crusade, no jihad

The Transcaucasian conflict is not a war of religion, argues

Edward Mortimer

of Nakhichevan, a Turkish

intervention on the side of the Armenians is not inconceivable. If it happened there can be little doubt that it would be accompanied by the killing of Armenians on a much larger scale; perhaps even the destruction of the Armenian people from what is left of their country.

That might well have happened in 1920-21 had not the Russian civil war come to an end and Russian power been revived in Soviet form. The Armenians accepted Bolshevik rule and a truncated territory as the lesser evil, the apparent alternative being extermination.

One of the most depressing aspects of the present situation is the readiness of many people in the Middle Ages, it is incontrovertible that in the last two centuries Moslems were on the receiving end of imperialism virtually wherever they lived.

My point is, however, that this has nothing to do with Islam or Christianity. If the Armenians deserve support, it is not because they are Christians but because they are human beings who are threatened

old French joke: *ce animal est très méchant; quand on l'attaque il se défend*.

Many Moslems also feel that about the western attitude to Azerbaijanian. They contrast western outrage at any suggestion of a Soviet clamp-down in the Baltic states with western expressions of understanding and support when the Soviet army actually cracks down in Baku in the process. This overlooks the fact that an anti-Armenian pogrom had been carried out in Baku in the immediately preceding days. It may be (as Azerbaijanian nationalists have claimed) that this pogrom was deliberately encouraged by the discredited outgoing leadership of the Azerbaijanian Communist Party; and it may also be that the armed intervention had more to do with meeting a challenge to Soviet power than with saving the lives of Armenians - an interpretation confirmed by the remarks last Friday. Still, the pogrom did happen and it inevitably affects people's attitudes to what followed.

My point is, however, that this has nothing to do with Islam or Christianity. If the Armenians deserve support, it is not because they are Christians but because they are human beings threatened by mass murder with mass rape and massacre, and this also applies to Azerbaijanians living in predominantly Armenian areas. Things have got to the point where further bloodshed may only be avoided by the sad but well-tried method of sorting out the population into ethnically homogeneous blocs and putting a peacekeeping force in between: perhaps an international one, if Russians no longer have the appetite or the authority to do it. The number of people obliged to leave their homes would be smaller if Nagorno-Karabakh, with its predominantly Armenian population, were placed on the Armenian side of the line: even so, about half a million Armenians would have to be removed from Azerbaijan, against only 200,000 or so Azeris from homes in Armenia.

The Armenians, like other Christian communities in the Middle East, have suffered in the past from being seen by

Moslems as a fifth column of western imperialism, and from their own propensity to put too much faith in the intervention of western powers in their region. What threatens them is not Islam but Turkish and Azerbaijanian nationalism, and more especially the pan-Turkist vision which sees the Turkic peoples as potentially a single nation, with the Armenians standing in its way.

"The COMECON countries must fit into the world market..."*

* Miklos Nemeth, Prime Minister of Hungary, January 1990



Brave new Eastern Europe has offered a challenge to the West: to build again. But as fledgling new democracies struggle to emerge, the realities of the task are daunting. In this new political landscape, doing business in Eastern Europe remains as complex. Companies looking to penetrate these markets need hard information on where the opportunities lie, how joint ventures and free-standing enterprises can be formed, who are the key contacts, and so on.

UK drops controversial football scheme

Michael Cassell and Philip Coggan review recommendations of the disaster inquiry

CONTROVERSIAL plans to introduce a national membership scheme for football clubs in England and Wales were shelved by the UK Government yesterday. It announced, however, that Football League grounds will be compelled by law to become all-seater stadiums by 1999.

London conceded its enthusiasm for identity cards after the Heysel stadium disaster in 1985, when a charge by Liverpool supporters led to the death of 39 Italian fans. English clubs were subsequently banned from European competition.

When Dutch authorities attempted to introduce identity cards to combat hooliganism, the scheme was水印

called instead for a variety of measures including the classification of obscene chanting as a criminal offence and the electronic tagging of offenders. He also recommended that ticket touts be outlawed.

The report attacks the "general malaise" surrounding football which Lord Taylor attributes to "old grounds, poor facilities, hooliganism, excessive drinking and poor leadership". Facilities for supporters have been "lamentable" with the "safety and comfort of those on the terraces not regarded as a priority".

In some clubs, the judge says, "It is legitimate to wonder whether the directors are genuinely interested in the welfare of their grass-roots supporters".

Lord Taylor suggests that "grounds should be upgraded. Attitudes should be more welcoming. The aim should be to provide more modern and comfortable accommodation and more consultation with the supporters".

The Government is unsympathetic about clubs' financial plight. Mr Waddington yesterday repeatedly emphasised the responsibility of the football authorities and clubs in improving the sport's record on safety and hooliganism.

Analysis, Page 10



Lord Justice Taylor, who attacked the "general malaise" surrounding football. Prime Minister Margaret Thatcher inspecting Hillsborough soon after the tragedy.

worried about the cost of introducing all-seater stadiums. Lord Taylor said seating would do more to improve safety and cure problems of behaviour and crowd control than any other single measure.

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Analysis, Page 10

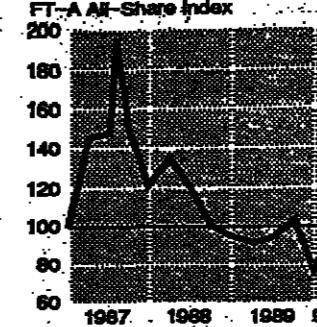


THE LEX COLUMN

The last flight of Blue Arrow

Blue Arrow

Share price relative to the FT-A All-Share Index



The rebirth of Manpower is proving almost as unorthodox as its earlier demise. In its new guise as a US corporation, the former Blue Arrow is to kick off with a net annual loss of over \$1bn, a passed final dividend and the prospect of zero net earnings for the next three years. None of this represents commercial reality, merely a cocktail of US and UK accounting conventions. It is not clear that the result will appeal to Blue Arrow's dwindling band of UK shareholders either way.

It might be thought that the passed dividend is a device to stampede the necessary 75 per cent of shareholders into approving the change of domicile: in the US, different rules mean dividends can be resumed. But this is unduly devious. The £33m write-down which erased distributable reserves was apparently required by the auditors, since they could be sold this year. In any case, the company says, the ability to pay dividends will be restored whether it moves house or not, possibly even before the vote.

But with the company so plainly determined to blot the whole bizarre UK episode from its history – City arrests, Canary Island and all – there seems no reason for UK shareholders to oppose it. At perhaps 15 times forecast earnings and a yield of 2.7 per cent, the shares are not especially attractive on fundamental grounds. Assuming the company drops out of the FT-A All-Share, the UK's indeed funds will doubtless be sellers anyway. And the proposed scheme of arrangement, whereby new Manpower shares will be exchanged for old Blue Arrow ones, should appeal to one shareholder in particular: County NatWest, whose present 10.6 per cent stake may or may not be registered – and thus tradeable – depending on whether it came by it as investor or as underwriter.

Nevertheless, there is no obvious reason why the publication of the new matrix would not have prevented Lloyds Bank, at least, from posting sharply higher provision levels when it did. Stock market perceptions can be just as powerful as tax considerations.

arms of Government on the treatment of a rather tricky issue.

The clearing banks begin reporting their 1989 results in less than a month's time. If the matter had been left unresolved for much longer they might fairly have claimed that they really were being victimised. The technical changes to the matrix – particularly the smoothing of provisions and the fact that they may be required even when there is no actual default – are sensible enough. There must be a suspicion that the Bank of England could have been even tougher, but did not want to highlight the weaknesses of such as Midland and Standard Chartered.

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obvious reason why the publication of the new matrix would not have prevented Lloyds Bank, at least, from posting sharply higher provision levels when it did. Stock market perceptions can be just as powerful as tax considerations.

Poison pills

It is doubtful that Dresdner Bank's managers are quaking in their boots at a Frankfurt court's welcome decision to make Dresdner dig up the anti-takeover tank-trap it built into its articles last spring. In typically German fashion, Dresdner's right flank is protected by a friendly alliance with at least 15 per cent of its shares to look after its left.

There are five trade unions on Dresdner's supervisory board, who would have something to say if someone took a run at one of West Germany's largest banks. Add to that the fact that at DM418m, Dresdner's share price is 40 per cent higher than it was in April 1989, when it proposed its scheme for limiting unwelcome

shareholders to voting a maximum of 10 per cent of its stock.

However, as yesterday's 10 per cent rise in Dresdner's shares suggested, the court's decision is still good news for Dresdner's shareholders and German equity investors generally. We may never see a fully fledged Anglo-American-style free market for corporate control in West Germany. But as last year's raid by the Flick brothers on Feldmühle-Nobel showed, the trend is towards a gradual opening up. And bear in mind that three years ago, no one thought it feasible to take over Belgium's Société Générale.

Mrs Fields

When all it takes is a 60-outlet licensing deal with Marriott Corporation to get Mrs Fields' shares up 35 per cent in a day, perhaps investor sentiment is genuinely swinging in its favour. If so, it could be a bit overdone. The nice things about the tie-up announced yesterday are that it costs Mrs Fields nothing and that the royalties look pretty safe; and the evidence that the Fields brand-name is strong enough in the US for Marriott to think it worth having in its airport and roadside stores, after successful trials in Maryland and Florida. But the real tests for Mrs Fields are whether it has broken even or better for 1989, after 1988's \$18.5m pre-tax loss, and whether it can pay a dividend this June, and whether or not its new bakery stores are making money. In the meantime, the authorities should find out just why its share price was so strong last Friday.

Currencies

When it comes to assessing the impact of Budgets on exchange rates in 1990, it is a fair bet that Mr Major's first effort will be far more important for sterling than President Bush's for the dollar. It would be wrong to blame yesterday's weakness in the US currency on any concern about the numbers coming out of Washington; the US budget process is a characteristic exercise in fantasy. However, yesterday's strength in sterling, in the face of reasonably heavy selling, is a bullish sign. The absence of bad news combined with talk of a tough budget could push sterling higher, especially since the new Chancellor seems less concerned about fixed exchange rates than his predecessor.

Microwave makers in UK hit by 30% slump

By Philip Rawstorne in London

MANUFACTURERS of microwave ovens in the UK, dominated by Japanese electrical companies, have been hit by a sales slump which industry analysts fear could lead to job losses and possible plant closures.

Sales of microwave ovens – hit by the squeeze on consumer spending and the recent luster scare – slumped by 30 per cent in value last year and a further substantial fall is forecast for this year.

With prices and profit margins under increasing pressure, some of the six Japanese manufacturers with plants in Britain are cutting production and, where possible, switching staff to other product lines.

Volume sales last year dropped to 1.2m ovens from 1.4m in 1988, according to AGB Lek-Trak, the market researchers. Sales this year are expected to be around 1m.

The market is also shrinking in West Germany, and industry observers consider some factory closures and redundancies are inevitable if there is no rapid improvement in the market.

Japanese manufacturers, however, who set up production facilities in Britain in the 1980s to supply the UK and continental Europe, are said to be concerned about the possible damage to their reputations from such moves.

Mr Jim Collis, director-general of the Association of Manufacturers of Domestic Electrical Appliances, said yesterday that sales had already been declining before the controversial last year over microwave cooking standards.

"With about half of families in the UK now owning a microwave, sales growth had slowed considerably; and since most have been bought in the last five years, there is not yet any substantial replacement market."

Mr Peter Dix, sales and marketing director for Sharp, the UK market leader, said that the company, with others, was trying to rebuild consumer confidence.

Market conditions were likely to continue to be difficult, he added, but Sharp was able to switch staff at its Wrexham factory to other product lines as necessary.

Hitachi, whose ovens passed the government tests, said that normal production was continuing at its South Wales factory, opened two years ago, for both the UK and European markets.

Sanyo, which spent \$11m (£18m) with Government support on two factories in Co. Durham some three years ago, is seeking to expand sales in Europe.

Turnover increased by 17.6 per cent to £1.6bn. Mr Fromstein said trading conditions in the UK and UK were generally soft, but no clear recession occurred during the period.

The loan contributed to an increase in interest costs from £6.31m to £22.71m, which led to a fall in pre-tax profits from £75.08m to £55.11m for the year to October 31. Mr Fromstein

said he intended to reduce debt by the sale of non-Manpower businesses and a restructuring of its loans.

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Earnings per share were 5.5p (6.8p). Dividend payments are likely to be resumed in this financial year when it is expected that distributable reserves will be restored.

"We have started the year fairly conservatively, decreasing output a little. But we think there is still plenty to fight for even if the total market does fall to 1m this year, and we are getting good support from retailers."

Bank provisions

There is an obvious conflict between the Bank of England's role in ensuring that its flock is being prudently supervised and the Inland Revenue's job of making sure the banks shoulder their share of the UK tax burden. So it must be presumed that the Bank of England's delay in issuing its new Matrix for calculating third World debt provisions means there is finally some consensus between the two

authorities for limiting unwelcome

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INTERNATIONAL COMPANIES AND FINANCE

New chief named as Kelt Energy reports losses of £1.05m

By Clare Pearson in London

MR JOCK Green-Armytage, who made his name as managing director of Guthrie Corporation prior to its takeover by fellow industrial group BBA, has become chief executive and joint chairman of Kelt Energy, the independent UK oil and gas company.

Kelt announced his appointment yesterday at the same time as it unveiled a £1.05m (£1.74m) pre-tax loss for the six months to end September 1989, compared with £1.7m in the same period last year, against a profit of £467,000. This was after a substantially bigger interest payable figure of £35m.

Some £13.2m of interest costs were capitalised. The costs reflect Kelt's ambitious, highly-leveraged takeover of fellow oil independent Carless a year ago.

Mr Hubert Perrodo, Kelt's chairman said: "I hope the appointment of Mr Green-Armytage will improve Kelt's communications with the City."

Mr Green-Armytage presided over Guthrie's reorganisation and return to the London stock market after the Malaysian government investment agency gained control of it in 1981. The Malaysian agency eventually sold its shares to BBA in 1988.

Prior to his role at Guthrie, Mr Green-Armytage was a corporate finance director at NM Rothschild, where he remains

a non-executive director.

Mr Perrodo said he also expected to announce soon the appointment of a finance director. Mr Alasdair Locke, who held the post of deputy chairman and fulfilled this role, left the company in December.

"The increase in our production, the oil price and the restructuring in management gives me every confidence for the future," he said.

Mr Perrodo said the company's borrowings fell from about £260m immediately following the acquisition of Carless to about £170m at the end of the half-year. This was after the disposal of the downstream operations of Carless.

The balance of the debt was converted from sterling to dollars last October. Mr Perrodo said Kelt was negotiating with the lenders, American Express Bank, about a rescheduling. Repayment is currently due in two instalments, in April and June this year.

He said he was confident the full oil potential of the Wytch Farm onshore oil field would be achieved by the end of the second quarter of 1990.

Included in the capitalised interest figure was some £5.45m attributable to investment in the Carless downstream businesses. Turnover during the period was £11.77m, compared with last year's £2.81m. The loss per share was 0.4p (against earnings of 0.06p).

HBG in negotiations for private electrical installer

HOLLANDSCHE Beton Groep (HBG), the Dutch construction and civil engineering company, is negotiating to acquire all the shares of Ergon Holding, a privately held UK installer of electrical equipment. AP-DJ reports.

HBG said the move would allow it to enter the installation market in the Netherlands. Currently, HBG subcontracts electrical installation work on its Dutch projects.

The amount of money involved in the transaction was not disclosed.

HBG is in negotiations for

Why West German grocer eyes UK profit margins

Haig Simonian meets Erivan Haub, Tengelmann's elusive, security-conscious millionaire owner

Mr Erivan Haub, reputedly the richest man in West Germany, takes security seriously. Once a year — most recently last month in a secluded retreat better suited to debriefing an Eastern bloc agent than meeting the press — he makes his appearance before the cameras.

Mr Haub's message is brief. Consolidated sales at Tengelmann, the food retailing group his family founded in 1967, rose to DM37.2bn (£22m) in the 1988-89 year ended June 30, making it one of the world's biggest stores groups. Profits remain taboo but, as sole owner, Mr Haub's is not believed to be going hungry.

Keeping a low profile is common among top German retailers, a number of which are still privately owned. Bastfulness has been compounded by crime: the 1971 kidnap of Mr Theo Albrecht, one of the two brothers behind Aldi, the huge discount chain, turned press-hype into an obsession.

Mr Haub has not given an interview for the past decade. Meanwhile Mr Otto Beisheim, who owns Metro, the cash and carry chain best known for its Kaufhof department stores, keeps his distance from kidnappers and journalists alike in his Swiss redoubt.

Despite his stress on security, Mr Haub, who now lives mainly in the US, may have to become more public. Stuck with low margins and declining profitability from its 3,501 stores at home, Tengelmann is becoming increasingly international.

Foreign sales, which amounted to DM21.6bn last year, already account for more than half its turnover. Much of that came from A&P, the ailing US supermarket group in which Tengelmann bought its first stake in 1979, and which has turned into a major money-spinner since.

Tengelmann's foreign activities have grown fast. In Holland and Austria it already owns the Hermans and Löwa supermarket chains respectively. Last year it took minority stakes in Superal, an Italian supermarket group and, in its first major push into Eastern Europe, Skela Co op of Hungary. And it is already dipping its toes in France.

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Despite his stress on security, Mr Haub, who now lives mainly in the US, may have to become more public. Stuck with low margins and declining profitability from its 3,501 stores at home, Tengelmann is becoming increasingly international.

Foreign sales, which amounted to DM21.6bn last year, already account for more than half its turnover. Much of that came from A&P, the ailing US supermarket group in which Tengelmann bought its first stake in 1979, and which has turned into a major money-spinner since.

Tengelmann's foreign activities have grown fast. In Holland and Austria it already owns the Hermans and Löwa supermarket chains respectively. Last year it took minority stakes in Superal, an Italian supermarket group and, in its first major push into Eastern Europe, Skela Co op of Hungary. And it is already dipping its toes in France.

"The increase in our production, the oil price and the restructuring in management gives me every confidence for the future," he said.

Mr Perrodo said the company's borrowings fell from about £260m immediately following the acquisition of Carless to about £170m at the end of the half-year. This was after the disposal of the downstream operations of Carless.

The balance of the debt was converted from sterling to dollars last October. Mr Perrodo said Kelt was negotiating with the lenders, American Express Bank, about a rescheduling. Repayment is currently due in two instalments, in April and June this year.

He said he was confident the full oil potential of the Wytch Farm onshore oil field would be achieved by the end of the second quarter of 1990.

Included in the capitalised interest figure was some £5.45m attributable to investment in the Carless downstream businesses. Turnover during the period was £11.77m, compared with last year's £2.81m. The loss per share was 0.4p (against earnings of 0.06p).

Mr Haub's message is brief. Consolidated sales at Tengelmann, the food retailing group his family founded in 1967, rose to DM37.2bn (£22m) in the 1988-89 year ended June 30, making it one of the world's biggest stores groups. Profits remain taboo but, as sole owner, Mr Haub's is not believed to be going hungry.

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INTERNATIONAL COMPANIES AND FINANCE

A tough climb up India's corporate ladder

Gita Piramal surveys attempts by the Ambanis to retain control of Larsen & Toubro

THE AMBANIS, whose Reliance group became India's third biggest business house after the October 1988 takeover of Larsen & Toubro (L&T), are fighting to retain their control over this major engineering company in the face of government and court challenges.

Mr. Madhu Dandavate, Finance Minister, has declared that according to the newly elected National Front government the takeover should be reversed and that the company — which has annual sales of Rs10.55bn (\$639.88m) — should be run not by the Ambanis but by a group of professional managers.

The Ambanis acquired L&T through collusion and manipulation, the minister alleged in an interview. "Prima facie analysis indicates that there was an effort to corner L&T shares in collusion with the financial institutions," he added. "This cannot be allowed. L&T must revert to becoming an independent, professionally run company."

Reliance, headed by Mr. Dhirubhai Ambani, has offered to return a 7 per cent block of shares in L&T which is at the centre of the dispute, but this represents only a portion of its total holding which, it says, is more than 25 per cent.

A Reliance official went on to argue that "even after the

takeover L&T remains a professionally run company. The Ambanis are not involved in day-to-day management. L&T's managing director, Mr. U.V. Rao, is a highly qualified professional manager with 28 years of experience."

The managing director's position has, however, become another point of controversy.

During the past few months, L&T has acquired not only a managing director and chief executive, but also a joint managing director and president. The reshuffling of designations is widely perceived as an attempt by the Ambanis to soothe ruffled executive feathers within L&T while making management appointments from the ranks of their own supporters.

The reshuffling is perceived as an attempt to soothe ruffled executive feathers at L&T

One possibility is that the financial institutions may ask for greater representation on the 12-member L&T board and then use their presence to oust the Ambanis. Currently, three directors represent Unit Trust

Dhirubhai Ambani offered to return a block of shares of India, the Life Insurance Corporation and the General Insurance Corporation. Collectively the three institutions hold 34 per cent of L&T's equity.

There are four directors from the Reliance group on the L&T board: three members of the Ambani family and Mr. M.L. Bhakta, a chartered accountant. On January 2 the Ambanis succeeded in persuading Mr. Henning Holck-Larsen, aged 82, one of the founders of the company, to become chairman emeritus. Mr. Holck-Larsen is respected within the Indian business community, and his tacit endorsement of the Ambanis has strengthened

their position. At the same time, legal hurdles loom for the Ambanis. A writ petition filed in the Supreme Court of India by a L&T shareholder and a Delhi advocate challenging several aspects of a Rs82bn bond issue launched last September is due to come up for hearing after several adjournments.

The case, which is attracting heavy publicity, is likely to drag on for months if not years.

Mr. Mahesh Jethmalani, counsel for the petitioners, has made an offer to settle the affair by saying that if the Ambanis "face the shareholders by holding an extraordinary general meeting, and if the shareholders ratify the Ambanis' presence on the L&T board, we are quite willing to

withdraw the case." The government is examining its own options. According to the minister, "Until the supreme court passes a judgement, we cannot take legal measures. But we are not pre-

pared to take certain administrative actions."

In one such action, the Finance Ministry has already directed Mr. Premjit Singh, chairman of the local Bank of Baroda, to take leave from his job. Bank of Baroda, through its BOB Fiscal Services subsidiary, sold the Ambanis the disputed 7 per cent block of shares, which had been accumulated through purchases from several financial institutions.

Under Indian company law, institutions cannot place shares directly with the private sector but must sell them through the market.

Government officials have been quick to pick up the new political signals. The Controller of Capital Issues (CCI) has written to the Ambanis asking for details on how funds raised from the Indian capital market by the Reliance group have been used. Under the former Congress administration, the CCI had given a speedy clearance to L&T's controversial bond issue.

Feisty fighters, the Ambanis have been in many tough spots in their climb up India's corporate ladder. The battle for L&T is far from resolved, but one early casualty has been the L&T share price. From more than Rs100 it has dropped to Rs70 during the preliminary skirmishes.

Dhirubhai Ambani offered to return a block of shares

The case, which is attracting heavy publicity, is likely to drag on for months if not years

Koor's creditors in Jerusalem for talks aimed at settlement

By Hugh Carnegie in Jerusalem

THEY FAILED in New York, they failed in London and they failed in Tel Aviv.

Now Mr. Shimon Peres, the Israeli Finance Minister, is hoping that in Jerusalem, within a mile or so of the Wailing Wall and the city's other holy places, the domestic and foreign creditors of Koor Industries will see the light and agree on how to solve the group's billion-dollar debts.

Given the painful course of the last 15 months, since the trade union-owned Koor first faced a liquidation suit by Bankers Trust of New York, optimism may be misplaced.

Mr. Peres has called today's meeting — the most conspicuous Government intervention in the saga to date — in an effort to reach a settlement at last to allow Koor, which employs more than 20,000 people, to survive.

With timing of more than symbolic importance, the meeting coincides with the expiry of a 30-day grace period allowed for the payment of a missed bi-annual interest tranche due on \$105m of bonds issued in the US by Koor through Drexel Burnham Lambert.

Yesterday, there was no sign that Koor was any more in a position to meet the obligation

than it was a month ago. The group has suspended all interest and principal payments on all its debts since the beginning of the year.

In that time, much heat has been generated as Koor's slide towards the brink seemed to accelerate sharply.

Most spectacular of all, two bids were made by foreign investors to acquire a majority stake in Israel's largest industrial group and stalwart of the powerful trade union sector.

The offers, from Mr. Roy Disney's Shamrock Investment company and the Belzberg brothers of Canada, have now slipped into the background as the realisation dawned that neither offered a short-cut around the essential problem of satisfying Koor's creditors.

It seems everyone is now awaiting the outcome of the meeting in Jerusalem before taking any precipitate action.

The foreign creditor banks, led by Manufacturers Hanover, whose total exposure to Koor is about \$300m, say their request for advance notice of Israeli proposals has not been met. They are clearly wary of an attempted Israeli fait accompli, of which there has been more than a hint.

This concern stems from the knowledge that the Israeli banks, led by the Histadrut-owned Bank Hapoalim and with exposure of some \$700m, have agreed in principle to a package which is also backed by Hevrat Ha'ovdim, the Histadrut's holding company, and albeit less explicitly, by the Government.

This proposed write-offs in the region of 30 per cent of the exposure of the domestic and foreign banks, the handing over by the Histadrut of Koor equity options to the banks and other assets to the Government, and the provision of government financial backing to Koor of a total of \$150m.

All Israeli parties dismiss as unrealistic the position of the foreign creditors that a tough operational restructuring by Koor would avoid the need at least for large-scale write-offs.

But the foreign banks are equally insistent that basing a solution on debt forgiveness does not address the heart of the problem.

"Maybe there is a need for some of the debt to be written off," said one participant. "But a write-off to sort out the balance sheet problem without trying to fix the company is the sound of one hand clapping."

LVMH

MOËT HENNESSY • LOUIS VUITTON

PRELIMINARY 1989 SALES

LVMH Moët Hennessy Louis Vuitton announced 1989 preliminary consolidated net sales of FF 19.7 billion, an increase of 19.6% over the 1988 level. On a constant exchange rate basis, net sales would have increased by 17.2%, in line with forecasts.

Segment in millions of FF	1988	1989	% change
Champagne & wines	4,876	5,171	+ 6.0%
Cognac & spirits	4,083	5,066	+ 24.1%
Luggage, leather goods & accessories	3,530	4,699	+ 33.1%
Perfumes & beauty products	3,735	4,479	+ 19.9%
Horticulture	218	249	+ 14.2%
Total	16,442	19,664	+ 19.6%

In the Champagne and wines segment, the increase in sales on a comparable structural basis would have been 8.6%, reflecting a 1% increase in champagne sales volume and a significant rise in selling prices.

In the Cognac and spirits segment, the 24.1% increase in sales results from an 8% growth in sales volume combined with a strong increase in sales of older qualities.

In the Luggage, leather goods and accessories segment, Louis Vuitton Malletier recorded a 32.7% growth in sales in 1989, reflecting a 28% increase in volume; same-store sales grew by 20%.

Finally, in the Perfumes and beauty products segment, total sales rose by 19.9%, with growth evenly spread among the three companies of the segment, Parfums Christian Dior, Parfums Givenchy and Roc. The year was marked by the launch of Dior's Fahrenheit men's cologne in Asia and North America and the introduction by Givenchy of a makeup and a skincare line.

Based on preliminary indications, LVMH net income for 1989 is expected to show an increase of more than 45%.

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FINANCIAL TIMES
EUROPE'S BUSINESS NEWSPAPER

January 1990

Société Générale opens a brokerage firm in Montreal.

Société Générale adds a new link to its international network — and gives its EuroCanadian Dollar services an added shine.



Société Générale, France's leading private banking group, is pleased to announce that it has set up its own brokerage company in Canada — Société Générale Valeurs Mobilières, Inc. — which is a member of the Montreal Stock Exchange.

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Black & Decker in red despite 60% sales climb

By Karen Zagor in New York

BLACK & Decker, the US power tool and appliance company, yesterday reported a loss in the quarter ended December 31 as results continue to reflect the cost of absorbing the Emhart plumbing equipment and carpentry business, acquired for \$2.8bn last year.

For the three months ended December 31 the company reported a loss of \$3.2m or 5 cents a share from net income of \$38m or 65 cents a year earlier. This was in spite of a 60 per cent increase in sales to \$1.1bn from \$705.5m.

The loss in the recent quarter was attributed to increased interest expense and goodwill amortisation related to the Emhart acquisition.

Black & Decker, which is based in Towson, Maryland, has changed its fiscal year end to December 31 from the last Sunday in September. It said the recent quarter constituted a "stub" period.

Operating income in the latest quarter leapt 80 per cent to \$116m.

The company attributed the growth to the Emhart acquisition and to the strength of existing Black & Decker businesses, which reported

Citicorp buys credit card arm of BNE

By Anatole Kaletsky
in New York

double-digit operating income growth in the three months.

Foreign exchange losses in the recent quarter were \$15.4m, primarily from Brazilian operations.

Mr Nolan Archibald, chief executive, said: "While many other companies are reporting lower profits, Black & Decker's operations remain healthy and are entering the 1990s with strong momentum."

He said the company's results had improved steadily since the Emhart acquisition, from a loss of 49 cents a share in the September quarter to, essentially, a break-even result in the latest period. The company was moving towards its goal of reducing debt by \$1bn.

Last week Black & Decker sold its Bostik adhesive business to a French chemical company, a sale expected to yield about \$345m gross.

The company said yesterday that it would sell its footwear materials business for about \$125m in cash to United Machinery Group. It also plans to sell its capacitors business, excluding the US segment, for about \$80m in cash to Nissel Electric.

Modest quarterly rise at Marsh & McLennan

By Anatole Kaletsky

MARSH & McLennan, the leading US insurance broking and business services firm, reported a modest advance in net income and revenues in the fourth quarter, but virtually no change for 1989 as a whole.

The company made net profits of \$56m or 77 cents a share in the fourth quarter, up 8.4 per cent from the year earlier result of \$51m or 71 cents. Its quarterly revenues were 9 per cent higher at \$6.2bn.

In 1989 as a whole, net income totalled \$265m or \$4.10 a share, compared with \$266m or \$4.05 a year ago. The year's revenues were 4 per cent up at \$21.4bn.

The company's results were

close in line with market expectations and its share price increased by 5% to \$75.4.

In addition to companies which operate under its own name, Marsh & McLennan owns the C.T. Bowring insurance broking business in London, Guy Carpenter, the biggest reinsurance broker in the US.

It also has subsidiaries which operate in investment services, employee benefits consultancy and corporate strategy work.

Insurance services provide about 60 per cent of Marsh & McLennan's business, consulting about 30 per cent and investment management about 10 per cent.

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FINANCIAL TIMES
EUROPE'S BUSINESS NEWSPAPER

New chairman banks on change of course

Bernard Simon describes a challenge facing the man at the top of Bank of Montreal

On the day he took over as Bank of Montreal chairman earlier this month, Mr Mathew Barrett told the annual meeting his "absolute top priority" was to give the bank's 34,000 employees "a greater sense of their fundamental importance to the achievement of the bank's goals."

His words reflect the pressing need to put a gentler face on Canada's third biggest bank, while getting the staff accustomed to some changes in direction.

Mr Barrett's appointment marks the end of 11 turbulent years which the bank had experienced under the iron rod of Mr William Mulholland.

Mr Mulholland was respected for his business acumen, but his domineering style - his nicknames included God and King William - drove many talented executives away from the bank and frustrated those who remained.

With the largest Third World loan exposure among Canada's big six banks, financial performance has also lagged in competitors in recent years. At the same time, the bank, in common with its Canadian cousins, is transforming itself from a global institution to a bank with its eyes firmly on North America.

Its offshore operations now focus on taking care of the needs of its Canadian and US

customers and serving businesses with North American interests.

"It's very much a conduit to our North American base, rather than chasing local business," Mr Barrett said in an interview.

Offices have been closed in several countries and the capital markets operation in London has been folded into the local office of its 75 per cent-owned Canadian securities subsidiary, Nesbitt Thomson.

Lending to large companies is being concentrated on a few selected sectors, such as energy, real estate and financial institutions.

The other side of the coin is that Mr Barrett aims to boost the contribution of US business from about 26 per cent of 1989 earnings to 50 per cent of the total.

The bank earned C\$646m (US\$547m) from operations in the year to October 31 1989, but a C\$56m provision on its C\$4.6bn Third World loan portfolio brought net income down to C\$51m, a return on assets of only 0.6 per cent.

It has now provided for 61 per cent of its Third World loans. Assets stood at C\$78.9bn at the end of fiscal 1988.

Just over half last year's US

earnings came from Harris Bank, which is trying to break with the past.

wide acquisition by in 1984 is widely seen as Mr Mulholland's most farsighted move. With assets of US\$12.4bn, Harris is the third biggest bank in the Chicago area.

It has a strong trust business in various parts of the country, and has bought several small but highly profitable community banks in the Chicago suburbs.

Mr Barrett spends at least one day each month with Harris executives, and is moving towards closer co-ordination of the two banks' strategic plans.

He is confident his bank can apply in the US some of the expertise it has gained running 1,200 branches and 1,000 auto-

mated teller machines in Canada. To achieve the aim of 50 per cent of earnings coming from the US, Mr Barrett says "probably, we'll need to do further acquisitions."

Mr Mike Sammon, a banking analyst at Chicago Corporation, says "Harris is surrounded by states that have attractive franchises" such as Michigan, Indiana, Wisconsin and Iowa, which is presently in the process of liberalising its bank ownership laws. Harris is also planning to broaden its business.

On the retail side, the community banks can be used as conduits for its trust expertise. The bank is trying to appeal to a wider spectrum of mid-sized corporate customers, partly through its highly-regarded cash management services.

Analytic caution that the price tag for an acquisition, especially in the Chicago area, may be high.

Mr Joseph LaManna, analyst at Chicago securities firm William Blair & Co, estimates prices for the Illinois banks with assets of more than US\$350m that have been bought in the past three years may be an average 2.4 times book value and 15 times earnings.

Bank of Montreal bought Harris for only 1.3 times book value. The more immediate challenge for Mr Barrett is to improve employee morale at

the bank. Aged 45, he is clearly trying to break with the past. In a barely-disguised criticism of Mr Mulholland's management style, the more relaxed Mr Barrett notes "the notion that the chairman can be the person who can think for everybody and direct everybody is a little passe".

Among his first moves after he became chief executive last July was to take the senior management group away for a three-day session at a country inn near Toronto to sow the seeds of a new strategic plan.

Since then, the group has met for a full day each month. A newly-formed operating committee gets together for 4.5 hours each Monday afternoon.

The new plan is due to be unveiled within the next month or so.

Two new vice-chairmen, one aged 40 and the other 44, have been appointed to improve co-ordination among different parts of the bank.

One will oversee all the bank's business involving individuals and small businesses, the other will concentrate on the corporate and institutional side. Mr Barrett acknowledges the new emphasis on legislative means decision-making takes longer these days than it used to. He asserts, "what you lose in the front-end, you gain in implementation."

Colgate to pay \$172m for Bristol-Myers units

By Alan Friedman in New York

COLGATE-PALMOLIVE, the third biggest US maker of the household and personal care products which deal with 590,000 accounts, is to acquire for \$172m the Canadian bleach and fabric softener businesses owned by Bristol-Myers Squibb, the recently merged US drug company.

The Canadian businesses, consisting of Javex, the bleach product, and Fleacy, the popular fabric softener, employ a workforce of 500 people at six plants and have annual sales of about C\$100m (US\$84m).

The purchase of the divisions, which were Bristol-Myers' only laundry care businesses, will double the Canadian revenues of Colgate-Palmolive, which are derived mainly from the toothpaste and detergents sectors.

Bristol-Myers Squibb, which last week reported a \$333m net loss for the 1989 fourth quarter, including a \$63m after-tax charge related to its merger, insisted yesterday that the disposal of the Canadian divisions had nothing to do with the merger.

"The company felt these businesses did not fit into our business portfolio," a spokesman said.

Colgate-Palmolive, which has annual worldwide sales of about \$5bn, sells bleach in 15 countries and fabric softener in 32 markets.

Canadian pulp group tumbles

By Bernard Simon in Toronto

A STRONG Canadian dollar and lower pulp and paper earnings contributed to a one-third drop in earnings last year at Fletcher Challenge Canada, the Vancouver-based forest products company 71 per cent owned by New Zealand's Fletcher Challenge.

FCC's net earnings were C\$120m (\$10.8m) or C\$2.01 per share last year, down from C\$180.2m or C\$3.01 in 1988. After extraordinary charges for restructuring and the write-down of an investment in an Alberta sawmill, earnings fell by almost half to C\$96.2m from C\$182.2m. Sales slipped to C\$1.4bn from C\$1.47bn.

The company's problems were especially apparent in the fourth quarter, when earnings

before extraordinary items tumbled to C\$19.9m or 34 cents from C\$45.8m or 78 cents.

More than C\$25m of last year's drop in earnings was caused by the strength of the Canadian dollar, which climbed from an average of C\$1.24 US cents in 1988 to a peak of almost 87 US cents last December.

The fall in pulp and paper earnings was due to lower newsprint prices, as well as interruptions at mills in British Columbia and Minnesota.

FCC said that income was further depressed by low prices for wood products.

Mr Ian Donald, chief executive, forecast that 1990 would be "a year of difficult market conditions." But he said the

company's output of light-weight coated paper should be "significantly" higher this year.

• Tembec, Canada's largest special pulp producer, felt the impact of lower prices for fluff pulp in the first quarter, but other soft wood pulp remained in strong demand, Robert Gibbons said from Montreal.

Earnings were C\$6.1m or 39 cents a share, down from C\$7.5m or 49 cents on sales of C\$57.5m against C\$68.5m.

The company warns that, with a slower North American economy and the current high level of the Canadian dollar, full-year profits could decline by 25 per cent against fiscal 1989.

sales during the current half year were unlikely to match those of the corresponding 1989 period.

A lower tax bill this time resulted in an increase in net earnings to 107 cents a share from 101 cents. The interim dividend has been maintained at 35 cents.

The last financial year's full earnings were 237 cents and the year's dividend 115 cents.

CMI hit by low demand for stainless steel

FALLING international demand for stainless steel led to a sharp reduction in the sales and profits of Consolidated Metallurgical Industries (CMI), the South African ferro-chrome producer, in the six months to December, writes Jim Jones from Johannesburg.

Steelmakers who had stocked up heavily on ferro-chrome cut purchases and despatched as their customers

delayed purchases of stainless in anticipation of lower prices. The company recently increased its annual ferro-chrome production capacity to 260,000 tonnes from 150,000 tonnes.

CMI's interim turnover was reduced to R128.7m (\$50.2m) from R142m and pre-tax profit was R6.7m against R7.42m.

Mr Barry Davison, managing director, said volume sales

dropped by 26 per cent but he added the average selling price exceeded that of the corresponding period in 1989, even though dollar prices of ferro-chrome fell sharply in 1989.

Prices had been increased sharply in the first two quarters of calendar 1989.

Mr Davison warned that selling prices had fallen further since the start of 1990 and that

sales during the current half year were unlikely to match those of the corresponding 1989 period.

A lower tax bill this time resulted in an increase in net earnings to 107 cents a share from 101 cents. The interim dividend has been maintained at 35 cents.

The company is not resting on its laurels, however. Gallimard's cream and red spines continue to decorate every well-dressed Parisian bookshelf, besides dominating, along with rival publishers Grasset and Seuil, the Prix Goncourt, France's most important literary award. It is also recognised by many as having the best children's publishing division in France.

Gallimard reported parent company net profits of FF7.34m (US\$1.5m) on turnover of FF49.5m in the year to end February 1989, the latest for which accounts can be obtained. The previous year it reported a net loss of FF12.64m.

Gallimard has one of France's most prestigious stable of authors, and a glittering backlist of French literary greats: Marcel Proust has just gone out of copyright, but Antoine de Saint-Exupéry, Albert Camus and Jean-Paul Sartre continue to provide a steady flow of earnings.

Gaston took 80 per cent of the cream in a particularly rich period for French literature, commented one rival publisher.

Some publishers say it would be easy to find a buyer ready to pay considerably more.

But if the company thrives, the family does not. Friends say they have never come across a family with so little mutual affection.

INTERNATIONAL CAPITAL MARKETS

Treasuries continue slide ahead of refunding details

By Janet Bush in New York and Martin Dickson in London

US TREASURY bonds continued to slide yesterday with no sign of a recovery from last week's steep falls. In late trading, short-dated

GOVERNMENT BONDS

maturities were quoted as much as 1/4 point lower, while the benchmark long bond was quoted 3/4 point lower for a yield of 8.54 per cent.

Yesterday's release of December personal income and consumption data showed that personal income rose 0.5 per cent and personal consumption rose by 1 per cent compared with forecasts of a gain of around 0.7 per cent. The larger than expected rise in consumption was attributed to increased spending on heating because of the cold weather.

Overall, the figures appeared to lend support to the view that the economy is not tilting into recession and, as bond market economists Griggs of Santow put it, "gains in real income remain large enough to assure that consumption will remain the driving force behind this year's non-recession expansion."

The quiet start to the week was expected, given the fact that there is so much news to digest over the next few days. Economic statistics due this week include December new home sales and leading indicators tomorrow and the all-important January employment release on Friday.

BENCHMARK GOVERNMENT BONDS

	Coupon	Red Date	Price	Change	Yield	Week ago	Month ago
UK GILTS	10.000	4/93	94.03	+1/32	12.18	12.50	11.38
	10.500	5/93	95.09	+8/32	11.14	11.28	10.57
	9.000	10/93	98.50	+10/32	10.21	10.30	9.71
US TREASURY *	7.675	11/89	95.23	-10/32	8.53	8.27	7.92
	8.125	6/91	95.08	-13/32	8.57	8.30	7.97
JAPAN No 111	4.600	5/98	95.63	-0.74	6.49	6.65	5.71
No 2	5.700	3/07	94.822	+0.76	6.33	6.50	5.66
GERMANY	7.000	5/98	95.500	+0.45	7.64	7.73	7.26
FRANCE BTAN	8.000	10/94	81.5014	-0.01	10.35	10.30	10.21
QAT	8.125	5/95	91.150	+0.05	9.61	9.58	9.50
CANADA *	9.250	12/88	85.0500	-0.30	10.05	9.84	9.71
NETHERLANDS	7.500	11/99	94.9500	+0.07	8.26	8.35	8.02
AUSTRALIA	12.000	7/98	98.1111	+0.210	12.71	12.66	12.90

London closing. *denotes New York closing. Prices: US, UK in 32nds, others in decimal.

Yields: Local market standard. Yields: Local market standard.

Technicals: Data/ATLAS Price Sources

suries and the release of West German's January consumer price figures.

Although the price statistics were in line with expectations, some fund managers were reported to have seen them as a buying opportunity.

The Federal Government's 7% January 2000 bond was fixed 23 basis points higher at 97.16, with the yield falling to 7.65 per cent from 7.70 on Friday.

In late trading it was quoted at about 97.13.

■ UK GOVERNMENT bonds closed higher last night after a see-saw day of thin trading which opened with a mark down of prices.

The market, which dipped last Friday — despite improving trade figures — on rumours that the Government might resume gilt sales, was again jittery about new issues yesterday morning. A £150m issue for British Gas reinforced these anxieties, as prices dropped by around 1/4% at the long end.

But the strength of sterling and reconversion of the trade figures drew some foreign and domestic buying, and the benchmark 11% Treasury stock due 2003/07 closed at around 107, up some 1/4 to yield 10.73.

■ WEST GERMAN government bonds enjoyed a stronger day on the back of the strengthening D-Mark, with the market led by heavy volumes in futures and relatively light trading in cash bonds.

Analysts said that other factors behind the rise included short-covering, switching by some investors from US Treas-

uries to the benchmark just 4 basis points up at 102.00.

The Matif plans to launch an option on its three-month interest rate futures contract at the beginning of March. The exchange's futures contract on the Paris interbank offered rate has grown into one of its most successful, currently trading some 10,000 contracts a day.

The Pibor option will add a short-term interest rate option to Matif's long-term notional bond futures and options contracts based on the 10-year government bond.

■ Matif futures contracts are listed in the Financial Times' futures and options prices page for the first time today.

Sony makes huge Tokyo warrant bond issue

By Ian Rodger in Tokyo

SONY has joined the rush of Japanese companies issuing yen warrant bonds in Tokyo with a huge Y100bn issue, the same size as that made by Nippon Steel last month.

The Sony issue is part of a Y400bn fund-raising to finance its acquisitions of Columbia Pictures and Guber-Peters Entertainment in the US, for which it paid \$3.6bn last September. It will heighten fears in London that the issue of dollar-denominated warrant bonds in the Euromarkets by Japanese companies will decline substantially in the next few months.

The surge of yen warrant bond issues has come partly because interest and exchange rate trends have made it cheaper for Japanese companies to make issues in yen rather than in dollars which are then swapped into yen.

Also, the Japanese Ministry of Finance has been encouraging companies to issue their warrant bonds in Tokyo rather than overseas, claiming that such a move would give investors greater protection than they have now. There have been complaints that spreads in the over-the-counter market in the warrants have been too large.

The UK authorities have requested that the ministry structure such moves to avoid discrimination against foreign securities firms that deal in the bonds and warrants.

The flow of yen warrant bond issues, which began slowly last spring, is still small compared to that of dollar warrant bonds. However, the issues by Sony and Nippon Steel are expected to affect others' plans.

Among other companies planning yen warrant bond issues in Tokyo are Ibiens (Y15bn), Nippon Steel Chemical (Y15bn), Sanyo Chemical (Y15bn), Nihon Cement (Y45bn), Komori Printing (Y20bn), Ricoh (Y50bn), Fuji Fire and Marine Insurance (Y20bn) and Nippon Yusen (Y30bn). However, another 12 companies have announced plans for dollar warrant bond issues and a further eight in European currencies.

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German mortgages go offshore

Katharine Campbell examines a bold initiative from Deutsche Bank

The relatively quiet launch this month of the first Eurobond from the Europäische Hypothekenbank (EHB) constitutes a largely overlooked, but potentially important, Euromarket innovation.

For the DM100m tap issue, by a new Luxembourg mortgage bank formed by Deutsche Bank, marks the first attempt to introduce to the offshore market a security modelled on the so-called West German "Pfandbriefsystem" (roughly, mortgage bonds).

The German banks have failed so far to get their own way in the implementation of a European Community-wide directive on mortgage banking, allowing them to expand their profitable domestic refinancing business internationally. So Deutsche Bank has come up with its own independent solution for the repackaging of international loans and mortgages. Whether the new — and more than modest — venture will succeed remains to be seen.

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The concept looked more attractive a year ago when the German Government was in the middle of implementing the 10 per cent withholding tax on domestic securities. When the tax was abruptly withdrawn months later, the allure of the Luxembourg subsidiary, which could have issued securities free of the tax, may have waned somewhat. But Deutsche Bank decided to go ahead anyway.

The bank argues that the increasingly international flavour of public sector funding in the Community and the prospect of capitalising on cross-border real-estate funding requirements in the medium or longer term, provides the motivation for the new venture. And, starting with the refinancing of public sector loans, EHB officials are aiming for a margin of at least

10 pennies, which by domestic standards is attractive.

They plan a modest new issue programme of between DM250m and DM500m this year, refinancing loans to countries belonging to the EC and Organisation of Economic and Cultural Development as well as German states. Because of big differences in property law among the various Community members, the bank is initially planning only public sector loans. It will be at least a year before the legal twists of domestic mortgage securities, while attaining a measure of flexibility not conferred on issuers under German mortgage law.

The idea is to transfer the concept to the Euromarkets, without some restrictions that apply under German law. Domestic mortgage banks can only refinance loans to EC member states and institutions, whereas the new venture proposes also to refinance loans to other OECD entities.

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The idea is to transfer the concept to the Euro

UK COMPANY NEWS

US losses prompt 22.5% decline at John Menzies

By Maggie Urry

LOSSES IN its US business led John Menzies, the retail and wholesale group, to sustain a 22.5 per cent drop in pre-tax profits in the half year to October.

On sales up 13 per cent to £24m, pre-tax profits fell from 24m to £3.1m. Earnings per share were down 45 per cent at 2p.

Mr John Menzies, chairman, warned last September that first half profits would be flat but the market had not experienced the downturn and the shares fell 17p to close at 31p.

However, Mr Menzies said that Christmas sales had matched forecasts and he foresees an acceptable result at the year end.

The group has changed its year end to April, and most of group profits are made in the second half.

Trading losses from the US, where the group has a chain of 31 Early Learning Centre shops selling educational children's goods, increased from £2.1m to

£3.2m.

Mr Randolph Noel-Paton, managing director, said sales volumes were too low and a number of options were currently being reviewed.

In the UK trading profits rose from £7.6m to £9.1m. Trading conditions in retailing were difficult, said Mr Noel-Paton: the hot summer weather had held back sales growth and the train strikes, which affected the group's station bookstalls, had cost £100,000 a day in lost sales.

Nonetheless the John Menzies chain had increased sales by 6.5 per cent on a like-for-like basis and the Hammicks bookshops saw sales up 12 per cent. Sales of the UK Early Learning Centres had been 20 per cent higher.

The newspaper and magazine wholesale business had now settled down after the shake-up of two years ago, although margins are lower.

Mr Noel-Paton said there had been a big increase in sales of

the record, CD and video wholesaling business following the purchase of Wynd Up early in 1989.

The office supplies wholesale business had grown satisfactorily, and the group had formed a joint venture with Reliable Corporation of the US to expand in the mail order office supplies field in the UK and Europe.

The interim dividend is raised from 3p to 3.25p.

• COMMENT

The sorry saga of the US Early Learning Centres seems unending, and it may be some time yet before it either comes right or is stopped, especially as the US retail scene is now gloomy.

Menzies is convinced that the formula should work – as it does in the UK – but unfortunately the customers have yet to feel the same. Meanwhile, the UK end is suffering from the same economic misery as other retailers, though at least selling books and newspapers is less affected than most areas. In all the group may produce profits of £27m or so for the year. There is no comparative figure to work on, though in the 52 weeks to end January 1989 the group made £22.1m. A prospective p/e of 11.3 is not attractive.

D**EWEY** **W****ARREN**, the financial services group, showed a substantial lift from £2.06m to £11.1m in pre-tax profits for 1989.

That included £2.5m exceptional credit from the sale of the investment in Morgan Grenfell. The operating profit took in £2.36m on the disposal of other investments.

In November the company announced the proposed acquisition of certain interests of Robert Fraser should not proceed and extra dividends of £1.26m had been charged.

It also decided that ways would be sought to maximise the company's potential for shareholders, including seeking an offer. A number of companies had shown interest and discussions were continuing.

Turnover advanced to £22.82m (£8.29m). Interest soared to £10.06m (£18,000).

Last February the group acquired Argyle Trust, whose major operating subsidiary is a second mortgage lender, at a cost of £28.49m.

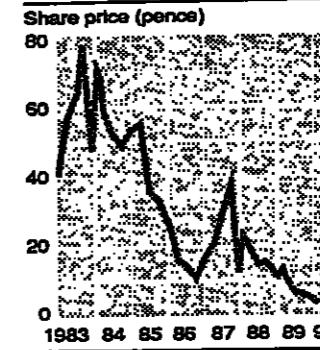
The market for second mortgage finance was currently less buoyant because of high interest rates. The directors expected the situation to improve, however, and there were reasons to expect the business and profitability of Argyle to accelerate in 1990.

A survival plan which backfired

Clay Harris looks at the changing fortunes of Southwest Resources

Southwest Resources

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Norfolk shareholders back board against coup

By Andrew Hill

SHAREHOLDERS IN Norfolk Capital Group yesterday supported their board against an attempted management coup, forcing directors to concentrate on fighting a hostile bid from rival hotel company Queens Moat Houses.

Norfolk later strengthened the executive membership of the board by appointing two new directors from within the group, despite the continued opposition of non-executive directors Lady Joseph and Mr Tony Good.

Queens Moat launched its £17m bid last Thursday, partially undermining the attempt by Balmoral International to take over the Norfolk board.

In spite of the changed circumstances, about 500 shareholders and advisers packed the London Press Centre yesterday to hear the board defend itself against Balmoral's accusations of a "dismal performance".

Balmoral, which owns about 13 per cent of Norfolk, decided to proceed with its attempt to install three executives on the board, and oust Mr Peter Eyles, the managing director. But the private company abstained from voting for the controversial resolution that it should

manage Norfolk on a five-year contract, linked to share options or performance fees. The plan was condemned by most shareholders who spoke and described by one as "clever and cheeky".

All six Balmoral resolutions were defeated following a poll of 69 per cent and 92 per cent of the votes were cast in favour of the board.

Lady Joseph, who owns 7 per cent of the company, and Mr Good believe Mr Eyles should resign and voted to elect Mr Peter Tyrie, Balmoral's managing director, as a non-executive director.

But afterwards, Mr Dermot Fitzpatrick, an area director of Norfolk's core hotel business, and Mr Gavin Chittick, company secretary, were appointed as executive directors, despite opposition from Mr Good and Lady Joseph. Earlier, Mr Fitzpatrick had spoken strongly on behalf of Norfolk's employees and in support of Mr Eyles.

At the beginning of yesterday's meeting Balmoral's Mr Tyrie had said: "In the days and weeks to come it is vital that Norfolk's shareholders are represented on the board by a



Peter Tyrie: Balmoral's managing director

fresh, united well-focused team, rather than the tired, divided and poorly-focused management which has been responsible for Norfolk's rapid deterioration."

But most investors at the meeting seemed to agree with one shareholder who warned: "In the present circumstances, with Queens Moat just round the corner, the last thing we want to do is remove our managing director."

The improvement in Milford's fortunes was underlined yesterday with the announcement of pre-tax profits of £603,000 on turnover of £1.1m in the year to September 30. But Seacon said this result would have been only £175,000 if volumes had not soared during the national dock strike.

In the previous 12 months, the first under Seacon's ownership, Milford broke into the black for the first time in many years with a £78,000 profit.

The group served notice yesterday that it made both a second half trading loss and an overall loss for the year to December 31. It blamed deteriorating trading conditions, as well as tough competition and rising raw material prices for its predicament.

Soaring interest costs, which more than tripled in the first six months, have compounded the group's problems, more than offsetting the impact of factory closures and other cost-cutting measures. Borrowings have ballooned to more than £18m.

In the six months to June 30 1989, Hyman made pre-tax profits of just £220,000 on turnover of £1.1m.

Dividends shown per share not except where otherwise stated. *Equivalent after allowing for scrip issue. †On capital increased by rights and/or acquisition issues. \$USM stock. \$Unquoted stock. #Third market. \$For 15 months.

For Hyman, battered by the pronounced downturn in UK furniture business, the transaction would provide some much-needed financial reinforcement.

The deal would enable Carpenter - its operations are currently concentrated in North America - to establish

Seacon to sell Milford Docks for £5.7m

By Clay Harris

SEACON HOLDINGS, the shipping and transport group based in London's Docklands, is to sell Milford Docks Company, the Welsh harbour operator, to Milford Haven Port Authority for £5.7m.

The deal brings the docks company into government ownership for the first time in its 116-year history.

Seacon's Third Market traded shares jumped 15p to 153p on the news that shareholders are to receive a special 20p dividend.

However, Seacon warned that it would take exceptional and extraordinary provisions totalling £1.1m relating to its investment in Vasco, a roll-on/roll-off operation between Southampton and the Iberian peninsula. The total included trading losses and writing off its investment.

Until its rescue by Seacon in 1987, Milford was the oldest public company in Wales, with a history of boardroom squabbles stretching back more than three decades. Its affairs are the subject of a Department of Trade and Industry investigation announced on June 30 last year.

The improvement in Milford's fortunes was underlined yesterday with the announcement of pre-tax profits of £603,000 on turnover of £1.1m in the year to September 30. But Seacon said this result would have been only £175,000 if volumes had not soared during the national dock strike.

In the previous 12 months, the first under Seacon's ownership, Milford broke into the black for the first time in many years with a £78,000 profit.

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UK COMPANY NEWS

Bullough beats estimates with 9% gain to £28.75m

By Clare Pearson

PRE-TAX profits of Bullough, the office furniture and engineering group, moved ahead 9 per cent in the year to end-October from £26.33m to £28.75m. Sales rose from £208.11m to £276.41m but operating profits grew at a slower pace to £30.76m (£26.73m). Interest charge grew to £2m (£204,000), reflecting the impact of cash acquisitions.

Mr Derrick Battle, chairman, said: "We view the future with cautious optimism against a backdrop of uncertain current economic conditions."

Bullough, the French office equipment concern, was included for the full year. Mr Battle said it contributed profits above expectations.

But the underlying performance of the dominant office products division was slightly down. This was because Project, a leading UK office furniture manufacturer, suffered increases in distribution and sales costs.

Overall the division made £16.0m (£13.5m) operating profits on sales of £182.05m (£160m).

Refrigeration and store fittings division moved operating profits to £5.6m (£5.5m). They were held back by refrigerators, the sales of which were depressed during the first half because of fears over listeria and CFCs, while sales to pub-

lic houses were affected by the Monopolies and Mergers report on the brewing industry.

Among the smaller divisions, the mild winter hit heating's contribution, which fell to £3.51m (£3.85m). Electricals dropped to £1.31m (£1.68m). Engineering, however, rose to £3.51m (£2.18m).

In May, Atal acquired Limusotto, a French office chair maker. In October, a retail shelving business was bought for about £2.5m.

After financing £10m of acquisition costs in cash and £10.7m of capital expenditure, a cash outflow of £12.9m left net borrowings of £29.5m at the end of the period. Of this, £22.9m was in French francs.

A final dividend of 4.3p makes £6.09p (5.67p). Earnings were 15.88p (14.89p).

• COMMENT

A margin improvement at Atal meant these figures were slightly better than expected – but that did not make them anything to write home about. Chiefly because of tougher conditions in the UK office furniture market, it is now hard to see how Bullough can recover its strong past growth in the near-term. As regards refrigeration, prospects have improved since the initial adverse effects of the food scares, although uncertainty about the final



Derrick Battle: cautious optimism

shape of UK legislation on chilled and prepared food is likely to continue to affect demand. The other operations, being smaller, do not matter so much although further mild weather is not going to have helped the heating side. All in all, it seems prudent to expect no more than about £30m pre-tax profits for the current year. Pending any more encouraging developments, the prospective p/e of about 8.5 looks fair enough.

Wiggins and Argos ready to float

By Maggie Urry

WIGGINS TEAPE Appleton, the pulp and paper subsidiary of BAT Industries, and Argos, BAT's catalogue showroom retailer, have each appointed advisers for their flotation on the stockmarket.

BAT, the UK tobacco-based conglomerate, is demerging both subsidiaries in response to last year's bid for the group from Hoylake, the consortium headed by Sir James Goldsmith. The Argos float is expected during the first quarter of 1990, while Wiggins' is due at the start of June.

Wiggins is likely to have a market value of about £15m given the group a place in the FT-SE 100 index. It makes specialist products such as carbonless copy paper, thermal paper and business stationery, and has paper merchanting and pulp interests. The two parts – Wiggins Teape in Europe and Appleton in the US – are being merged prior to the float.

Its chosen merchant bank is Kleinwort Benson, and the stockbroker is UBS Phillips & Drew. Lovell White and Duran is the UK legal adviser.

Hidong profits down sharply

Lower rubber and oil palm prices have put Hidong Estate's profits into reverse with a profit before and after tax of M\$49.732 (£11.100) for the half year to September 30 compared with M\$407.923 for the corresponding period of the previous year.

Turnover declined from M\$1.29m to M\$861,000. Interest payable was down from M\$29,566 to M\$15,568. Earnings per share fell to 26c/90 and there is again no dividend.

Yelverton nav up 10%

Net asset value at Yelverton Investments stood at 53p on October 31 1989, an increase of more than 10 per cent over the 48p of 12 months' earlier. Income in the 12 months to end-October, for this US-quoted investment and securities dealing group rose from \$555,000 to £780,000. After interest charges cut to £103,000 (£163,000), pre-tax profit was \$40,000, a substantial increase on the previous year's 271,000.

Since the year end the board

has sold the entire holding in Sheraton Securities, determining that to continue holding a large investment in the uncertain UK property sector was not compatible with the present objectives of the company.

Mr Henry Clarke, chairman, said: "The company has approximately 25.5m cash representing over 47p per ordinary share and no significant short term liabilities."

Earnings per share were higher at 2.4p against 0.5p, and the dividend is doubled to 1p.

London listing for Northam

By Kenneth Gooding, Mining Correspondent

NORTHAM PLATINUM, which is developing South Africa's first deep-level platinum mine, is to have its shares listed on the London Stock Exchange and dealings are expected to start on February 1.

Platinum production is scheduled to commence during the year beginning June 1991 and to build up to an annual rate of about 250,000 troy

ounces by 1993/94. The directors estimate that another R82m will be spent before the mine is financially self-sufficient and have given early notice of a rights issue soon to raise R60m.

Gold Fields of South Africa, which owns 60.4 per cent of Northam, will take up its rights. About 1.5 per cent of the issued capital is owned by

UK residents. Northam's mine, in the Transvaal, will produce ore from about 2,500 metres below the surface and be among South Africa's deepest. This will result in higher working costs but it is expected these will be offset by the high-grade ore to be mined.

The London listing is sponsored by Cazenove & Co.

The relevant interest payment date will be 30th April 1990.

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— Serie 223 — 1986/1996

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The relevant interest payment date will be 30th April 1990.

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(issued on July 24, 1987)

and

FF 700,000,000 Floating Rate Notes due 1995

(second tranche issued on April 26, 1988)

In accordance with the Terms and Conditions of the Notes, notice is hereby given that for the interest period

from July 26, 1990 to April 26, 1990, the Notes will carry an interest rate of 11.5125% per annum.

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				div (p)	%	P/E
343	275	Ac. Brit. Ind. Artillery	32.20d	10.3	3.0	9.2
38	21	Amstrad and Shredit	22	1	-	-
210	149	Barclay Group (SD)	181	0	4.3	2.4
125	102	Barclay Group Co Prof (SD)	113	0	6.7	6.0
123	74	Barco Technologies	77	0	5.9	7.7
110	96	Brenton Corp Prof	96	0	11.0	11.7
144	102	Brown & Root C.C.R.P.	114	0	11.0	10.5
312	225	CCL Group (SD)	312.0d	14.7	4.7	3.8
176	165	CCL Group 11% Conv Prof	165	0	14.7	8.9
223	140	Carbo Pte (SD)	220	0	7.6	12.4
110	109	Carbo 7.5% Prof (SD)	125	0	10.3	9.4
7.5	12.2	Magnet Ge Non-Volatile A Corp	12.5	0	-	-
130	105	Idic Group	105.0d	8.0	7.6	6.0
145	98	Jackson Group (SD)	109	+	3.6	3.2
322	260	Mathewson NV (AmstED)	260	-2	-	-
128	98	Robert Jenkins	128.0d	10.0	7.2	5.9
200	145	Robert & Co. Inc.	145	0	11.0	9.1
227	165	Torley & Cottrell	227	0	9.3	10.3
117	100	Torley & Cottrell Conv Prof	104	0	10.7	10.3
160	106	Unistat Europe Conv Prof	158	0	9.3	5.9
395	320	Veterinary Drug Co PLC	350	0	22.0	6.2
370	302	W.S. Vetus	300	0	18.2	5.4

Securities designated (SD) and (USM) are dealt in subject to the rules and regulations of the ISE. Other securities listed above are dealt in subject to the rules of the TSE.

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MANAGEMENT: The Growing Business

European juggling act

Which joint venture, with whom and where?
Charles Batchelor follows Labelking's progress



Labelking, a South London printer of adhesive labels for the food industry, is attempting to break into export markets. Chris King, founder and managing director of the 18-year old company, plans to establish a joint venture on the continent with a French label printer, Société d'Etiquetage d'Impression et de Conditionnement (SEIC). Labelking and SEIC are similar in

size. The British company employs 42 people and has sales of £5m while SEIC employs 33 and has turnover of FFr50m (£2.2m). They are considering two possibilities: linking up with a Portuguese label printer to establish a low-cost base for printing labels for sale throughout Europe and a joint-venture in Belgium with a Belgian partner print computer labels.

product and storage data for internal and customer use. The labels may be printed with the company logo or plain (but in either case they must be cut to size) and the backing paper must be perforated to run over the printer sprockets. The market for these labels is very competitive and costs must be held down if the joint venture is to succeed.

"My hair stood on end when I saw your prices for the labels," Riss, the more financially-minded of the French duo, tells the Belgian Cuvier. Costings would be affected by the product mix of the Belgian operation and by a decision on whether to produce for stock or only to order. Would there be sufficient demand for this type of label?" asks Boveroux.

The discussion moves on to the planned joint venture in Belgium which is intended to supply all three partners with computer labels. These are a specialist product which neither Labelking nor SEIC currently produces.

They are labels which can be fed through a computer printer and printed with addresses for business mail-shots or with

including the cost of the printing machinery, staff wages, factory space, heat, lighting and insurance.

Then King gets a surprise. Where should the printing operation be based? asks Riss. He suggests Labelking's factory or at SEIC's associate company in Rouen. Up to now King had been working on the assumption it would be in Belgium. "We must work out the costs of each location," says Riss.

With a short break for rolls and wine brought in by a nearby office catering firm, the discussion resumes. Portugal comes up again and King agrees with the two Frenchmen that they should give greater priority to the computer label venture. They decide to reconsider the idea in a few months' time. (A few days later, however, the largest of the Portuguese companies visited does get in touch and a meeting is arranged in London for later in January.)

They then discuss the printing equipment they would need for the computer label venture. Delivery would take six months but before they can order a machine they must set up a company. King is allotted the task of getting his lawyer to draw up a partnership agreement while Riss says he will ask his accountant to check the costings.

They have yet to decide where to base the new company so they will also have to do some more research into matters such as the comparative rates of tax and national insurance in France and the UK. They must also decide whether the computer label venture will sell at cost to the three partners or whether it will make a profit in its own right. And how will capacity of the new venture be allocated among the three partners if one gets a sudden large order?

One suggestion from the French side is for the computer label company to sell directly to customers if any of the three partners were unable to negotiate a satisfactory deal. This proposal worries King since it would mean the production company was competing with its owners and would undermine the whole basis for the partnership.

At 5.15pm - after six hours of discussion - the meeting ends. Many issues remain to be resolved but Boveroux is confident the new venture can be up and running by September or October.

The financial risks of the computer label venture have been carefully weighed and it would not pose a threat to the viability of the partners even if it did not succeed.

Nevertheless King and his partners have reached agreement on an important new departure for their companies. This has been achieved with the minimum of formality and, so far, without involving lawyers or any other professional advisers.

On the return flight to London the following morning King reflects on the meeting. He would have preferred to have tied up more of the loose ends but his lack of fluency in French has limited his ability to steer the discussions.

He is happy, however, with the rapport he has built up with his French and Belgian counterparts and is satisfied with the progress that has been made. "Our ideas are much more concrete than they were a few months ago," he says.

Previous articles in this series appeared on May 2, May 23, September 5 and November 22. Future articles will continue to follow Labelking's progress.

The best way to make a stand

Charles Batchelor reports on staff behaviour at exhibitions

Have you exhibited at a trade show recently? Were the staff on your stand friendly or did they stand arms folded, glaring at visitors? Did they rush up to people before they had time to gather their thoughts or did they allow them time to look round? Did they promise to send sales literature but then forget or were the brochures sent with the next post?

How to prepare your staff is just one of the subjects covered in *How to Make Exhibitions Work for your Business*.* Author John Talbot explains how, with careful planning, an exhibition can increase sales, raise your company's profile and tell you what your competitors are doing.

British companies under-valued the potential of exhibitions in the 1960s and early 1970s but have since become more enthusiastic. This has coincided with the opening of a number of new exhibition halls. In many continental countries exhibitions are an important part of the business year.

Many small businesses nevertheless still regard participation in an exhibition as difficult and expensive. This need not be so, says Talbot. He points out that exhibitions provide one of the few opportunities

make sure they study the fine print of the contract and that they can meet the deadlines laid down. Some shows will require a non-returnable payment of 25 per cent of the rental charge at an early stage.

Staff must be chosen for their ability to show the company at its best and they must be carefully briefed about the products on display. The number of staff involved must be chosen carefully since too many people make a stand look disorganized, while under-manning can mean sales are lost.

Staff must not be expected to work a full day from 9 am to 7 pm. Standing all day in the artificial atmosphere of an exhibition hall is tiring and a rota system will be needed. Staff who lose concentration may not demonstrate equipment properly or may fall asleep.

In order to assess the effectiveness of exhibiting, the company should draw up a forecast of the numbers of prospective and actual sales they expect to make at the show and the likely value of these orders. After the show this forecast must be compared with the actual achievement.

*Published by Kogan Page, 120 Pentonville Road, London N1 9JN. 127 pages. £7.95.

In brief...

■ Finance and interest rates are the most important problems facing the 2,000 small businesses polled in the latest *Quarterly Survey* of Small Businesses in Britain. Thirty six per cent of respondents highlighted this issue, the highest proportion since the surveys began five years ago.

A lack of skilled labour continued to be the second most frequent business problem - cited by 12 per cent.

* Published by Small Business Research Trust, School of Management, Open University, Walton Hall, Milton Keynes MK7 6AA. Tel 0908 655831. £15 per copy or £45 for a year.

■ American Express has extended its range of services for small businesses by teaming up with the RAC (Royal Automobile Club) to offer a vehicle breakdown service to small company card-holders.

down of business expenses. The card is intended to extend services previously restricted to large companies to the smaller firm typically employing between six and 12 people. Card-holders from small companies now number 50,000.

■ A series of one and two-day workshops for established small businesses on subjects such as accountancy techniques, exports, computers in business and negotiating skills is being run by the London Enterprise Agency (LEntA) over the next two months.

American Express first launched its small company card last April, offering disability insurance, to cover accidents at work, a telephone business travel and hotel booking service offering corporate discount rates and an annual report giving a breakdown of business expenses.

The cost of the sessions ranges from £25 (plus VAT) to £120 (plus VAT) though some are free to businesses which have been trading for less than a year.

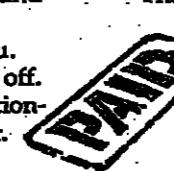
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BUSINESS WANTED

WANTED

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Authored by the Institute of Chartered Accountants in England and Wales in their interest business

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TECHNOLOGY

Clive Cookson reports on a biotechnological effort to satisfy consumer tastes

A peach of a debate about nature

The scent of peaches wafts through the gardens outside the pretty 17th century town of Naarden, in the rich horticultural region of Holland. But it's not the fruit growing season. And surely real peaches wouldn't smell that strongly?

The source of the aromas turns out to be Quest International, Unilever's specialist flavours and fragrances company based at Naarden. With sales of \$20m in 1988, increasing annually by 10 per cent, Quest is one of the fastest growing, but least well known, units of the Anglo-Dutch corporate empire. It is already number two in the world league of flavour and fragrance manufacturers, behind IFF of the US, and aiming to take first place during the 1990s.

The research priority for all the big players in the \$3bn-a-year food flavouring sector is to develop ways of meeting the growing demand for "natural" flavours. Consumers are turning away from artificial food additives, synthesised by organic chemistry from materials derived ultimately from the petrochemical industry.

Other leading flavour manufacturers have similar biotechnology bodies, such as the Food

Flavour and Fragrance programme at Firmenich, the Swiss flavour and fragrance company, which has previously concentrated on organic chemistry, says: "We moved into biotechnology later than some others, but we have made a heavy commitment to our biotechnology department and the first generation of products will be coming out very soon."

The peach-perfumed atmosphere in Naarden is one sign of Quest's biotechnology R&D programme (see accompanying article). Other parts include:

- A new generation of "natural" meat flavours that are not derived from meat extracts but from yeast cells broken down by enzymatic hydrolysis.

- Use of enzymes to improve the qualities of "gums", which stabilise and thicken the texture of processed food. For example, guar gum, a cheap stabiliser, is converted to locust bean gum, a far more expensive material extracted from carob trees, by an enzyme called alpha-galactosidase which Quest makes from genetically engineered yeast.

- Natural colours produced by yeast. Salmon farmers add the antibiotic pink astaxanthin to fish feed to give their salmon the pink flesh characteristic of wild fish. Quest has produced a natural replacement for this.

Other leading flavour manufacturers have similar biotechnology bodies, such as the Food

and Drug Administration in the US, have tried to define "natural" flavours, the closest an accepted international definition comes from the World Health Organisation's Codex Alimentarius. "Any substance or preparation with flavouring properties acceptable for human consumption obtained exclusively by physical, microbiological or enzymatic processes from material of vegetable or animal origin."

What that mouthful means is that a meat or fruit flavour derived from a strain of yeast occurring in nature is "natural". But the distinction between natural and artificial is less clear when considering a flavour produced from a genetically engineered yeast not found in nature.

What is clear is that a flavour component will be treated differently if it is made by synthetic chemistry from a base of petrochemicals, rather than through biotechnology. In the first case it is called "nature identical" rather than "natural".

Although most of the flavour industry's biotechnology R&D is directed at production based

on micro-organisms, particularly yeast, there is also a lot of research into plant cell cultures. For example, botanists at Edinburgh University, led by Professor Mike Yeoman, are culturing cells from chilli peppers to produce capsaicin, the spice which gives foods a "hot" taste.

But Japanese companies, led by Mitsui and Kanebo, seem to be ahead of their European and American competitors in the commercialisation of plant culture technology. The first commercial product was Mitsui's sulphonin, a red colour traditionally extracted from *Lithospermum* roots and now made from *Lithospermum* cells in a fermenter.

In Europe, Danisco is working with Plant Science Limited, a Sheffield University company, on a Eureka project to produce fruit flavours from plant cell cultures.

Ray Creswell, project manager, says that cell cultures have been established from several different fruit, including orange, blackcurrant and cherry, although at present it will not be possible to assess their commercial potential as flavour sources for another 18 months.

Commercialisation will depend on advances in lasers. Developments are likely to be evolutionary rather than revolutionary, with optical processing elements progressively finding their way into electronic systems over the next decade.

Initial exploitation is likely to be in telecommunications, where optical computing would be combined with optical fibre cables, and in parallel processing computers.

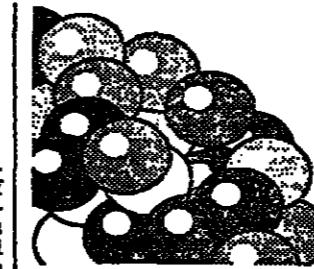
These machines can handle huge amounts of data by splitting it into streams which are processed in parallel.

WEGEAN company, Link Communication Systems (LCS), of Oslo, writes Lynton McLain. The telephone system has 600 times as many colours and is 20 times as sharp as existing teletext systems, allowing designers greater scope with complex and intricate shapes in languages, including Japanese and Arabic, that would not reproduce well on current teletext systems.

Existing teletext has seven colours. The ConCept 3 design from LCS, based on a European standard called Cpt 3, can reproduce 4,096 colours, up to 32 of which can be displayed simultaneously.

The screen resolution of the LCS system is 110,400 picture elements per screen, compared with the 5,620 of existing teletext systems.

LCS is working with Grandad Business Services to market the system, especially to hotels. The first installation is at the Hyatt Carlton Tower Hotel, London.



WORTH-WATCHING

Edited by Della Bradshaw

Speed of light in a computer

AN EXPERIMENTAL computer, which processes information using light rather than electricity, has been demonstrated by AT&T Bell Laboratories of the US.

This optical computer system, claimed to be a world first, is a dinosaur in terms of processing speed – it is only as powerful as the chips in a washing machine. But because light travels more quickly than electricity, optical computers should be able to process more than 1,000 times as much data as their electronic brethren.

The AT&T system is based on a group of gallium arsenide, optical switching elements, each with a potential processing speed of 1bn pieces of information every second. The devices rely on molecular beam epitaxy, where materials are built up one atomic layer at a time. Each chip has 1,700 layers.

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of aluminium alloy immersed in an alkaline solution. This interacts with oxygen to free ions, which may as electricity. The alloy sheet is replaced periodically.

A Chrysler mini-van will be converted to test the fuel cells next year.

The Alcan Aluminium subsidiary says the new fuel cells would be used with lead-acid batteries to offset the high cost of the aluminium-air cells. The combination would bring the propulsion costs to about the same as petrol.

Theoretically, the new fuel cells alone could provide a vehicle with a 2,000 km range without recharging.

A beeper that tells the time

FIRST

It was the portable phone. Then came the electronic diary. But the latest electronic badge of yuppie-dom must surely be the wrist-watch pager.

In the UK, Mercury Paging will start selling the digital watch-cum-pager from Motorola, of the US, in the spring. The two-ounce timepiece has a liquid crystal display which reveals the time in the top half and the day and date underneath.

When a message is sent, the wrist-watch "beeps". The message – a phone number, for example – can either be called up on the bottom half of the display or stored, to be looked at later.

• Have beeper, will travel is the message for the telephone companies of Europe.

Fourteen of them have got together to set up a European messaging system, code-named Ermes, and more are signing up all the time. Ermes will enable messages to be relayed – from the UK to Turkey – over the International telephone networks.

The same 15 radio channels in the VHF wavebands have been allocated for the service throughout the participating countries, so that a page bought in one country will work in another.

In the UK, seven paging companies will be offering euro-services by the end of 1992, with the effort co-ordinated by the Department of Trade and Industry.

CONTACTS: AT&T: US, 201 549 5593; LCS: Norway, 2 572 626; Granada: UK, 0293 84321; BTTC: UK, 091 445 8141; Alupower: Canada, 613 549 4500; Mercury Paging: London, 528 2500; DTI: London, 215 5000.

ELECTRICITY INDUSTRY

The Financial Times proposes to publish this survey on:

29th March 1990

For a full editorial synopsis and advertisement details, please contact:

Ian Ely-Corlett on 01-573 3389

or write to him at:

Number One Southwark Bridge London SE1 9HL

FINANCIAL TIMES

EUROPE'S BUSINESS NEWSPAPER

NOTICE

Blue Dolphin Energy Company 1/4/a Mustang Resources Corp. f/k/a Zim Energy Corp.

Columbus Petroleum Ltd was appointed as an additional Paying Agent with respect to the 7 1/2% Convertible Subordinated Notes due 2001, issued pursuant to an Indenture Agreement dated June 13, 1986 and amended by a First Supplemental Indenture Agreement dated December 24, 1986. The address of Columbus Petroleum Ltd. is: Dunleavy-Rossin, 14 Grosvenor Rd, London WClX 8PF, telephone No: 01-531 699, (ref.A) in accordance with a court order. Any interest coupon held in this account may be submitted to Columbus Petroleum Ltd. or Blue Dolphin Energy Company on February 1990, 1990: 1990 to 1994 included.

The Fiscal Agent: BANQUE NATIONALE DE PARIS (LUXEMBOURG) S.A.

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COMMODITIES AND AGRICULTURE

Cocoa pact chief urges output cuts

By Mark Huband in Abidjan

COCOA PRODUCING countries should diversify agricultural output rather than wait for prices to rise, the chairman of the International Cocoa Organisation's council said yesterday.

Speaking in Abidjan, capital of the Ivory Coast, the world's leading cocoa producer, Mr Peter Baron, outlined the new ICCO policy of attempting to increase consumption while encouraging cuts in production.

Mr Baron said: "It is important to concentrate our activities in that area because we think there are many opportunities to increase the consumption of cocoa in the traditional and non-traditional markets."

Currently production of

cocoa is exceeding consumption by around 200,000 tonnes a year. World output for the current year is estimated at 2.4m tonnes, while consumption is running at about 2.2m tonnes.

Mr Baron, who is currently on a tour of four west African cocoa producers - the Ivory Coast, Ghana, Nigeria and Cameroon - recognised the failure of the International Cacao Agreement (ICA) to guarantee prices, by suggesting that production must fall in order to re-establish competitiveness.

"It is necessary to encourage the transformation of primary products in the producer countries," he said.

The failure of the ICA last year caused both political and a financial crisis in the

Ivory Coast. The country's Agriculture Minister, Mr Denis Bra Kanon, was sacked in October after 14 years in the post. He was blamed for Ivory Coast joining the ICA, a decision which had long been resisted by the president, Mr Félix Houphouët-Boigny. Now a Minister of State delegated to the president's office, Mr Guy-Alain Gauze, is in charge of cocoa policy, with the intention of keeping a closer presidential eye on the issue.

Under pressure from the World Bank, the Ivory Coast halved the cocoa producer price in September 1989 in an effort to reduce the deficit of the state marketing board (Caisstab). Currently, the producer price stands at 200 CFA francs

a kilogram (€420 a tonne). With world market prices on the London Fox falling as low as \$621 a tonne for March cocoa, the prospect of an increase in producer prices appears remote.

A new International Cocoa Agreement is scheduled to be negotiated in September 1990, and after a meeting with President Houphouët-Boigny, Mr Baron said he was hopeful that a new deal could be struck which would help to stabilise prices.

"One can at present be optimistic," he said, "because with the support of the Ivory Coast we can arrive at a satisfactory solution by way of co-operation in the cocoa sector, which means the establishment of a new international accord."

EC warned against relaxing farm curbs

By Bridget Bloom, Agriculture Correspondent

THE EUROPEAN Community must not be tempted into relaxing its current restrictions on farm production by the possibility of exporting to new food markets in Eastern Europe, since to do so would be to undermine the hard-won reforms of the common agricultural policy.

Agra-Europe, the independent Brussels-based newsletter, notes in its latest edition that there are already rumblings towards a more expansionary Community farm policy among Farm Ministers who spent much time at their Farm Council in Brussels last week discussing the possible removal of quotas and price adjustments enshrined in the so-called budget stabilisers at the centre of the CAP reforms.

But, Agra-Europe points out, "before this budding campaign for expansion gathers way, it is worth pointing out that the Community already has substantial excess production of all the main agricultural products which could be switched from conventional (and heavily subsidised) markets to meet the food demand of the east Europeans."

Surpluses in storage may be low, but the EC still produces 16m tonnes of milk above its needs, as well as 250,000 tonnes of beef, 30m tonnes of grain and many Mediterranean products like wine and olive oil. "The subsidised dumping on world markets of these products surplus to domestic consumption forms the bulk of the current annual Euco280m (20bpa) cost of the CAP," it notes.

Agra-Europe believes that the EC could expand production to meet demand from Eastern Europe without any further encouragement.

For example, the Community's own experts project cereal production rising from the present 162m tonnes (published last week as the probable 1989 cereal harvest) to beyond 180m tonnes but the mid-1990s.

Established as an incorporated company in May with a capital of \$1bn, the LNG project will raise 60 to 70 per cent of its financing through loans. The remaining 30 to 40 per cent will be met by equity participation in the joint venture partners, in oil rather than hard currency.

Increased funding for NNPC operations has now become more crucial than ever, and was the main reason for NNPC's equity sale. If the Nigerian oil industry is not to stagnate, NNPC must raise considerable sums for investment in both exploration and downstream projects.

The country's \$880m Ogo condensate project has had financing difficulties from the beginning. Leaders of the unincorporated project, in which NNPC has a 60 per cent interest and Mobil 40 per cent, have pledged from the World Bank and its affiliate, the IFC, and are hoping to syndicate loans through Morgan Guaranty and the Union Bank of Switzerland.

Negotiations are being held up, however, on the technicality of the joint venture's right to pledge unlifted condensate - legally the property of the Nigerian state - as security for its ambitions, and potentially highly profitable, new ventures.

Despite the better figures for last year, production still falls far short of what is needed for self-sufficiency, which is some 235m tonnes, a year according to US experts. The balance is currently made good through imports.

Zinc and lead stocks plunge at London Metal Exchange

By Kenneth Gooding, Mining Correspondent

LONDON METAL Exchange zinc stocks fell by 11,475 tonnes or about 15 per cent to 73,675 tonnes last week, almost certainly the biggest weekly fall on record. Lead showed an even greater decline in percentage terms. LME stocks fall by more than 20 per cent or 4,550 tonnes to 18,350 tonnes.

Traders suggested that consumers had been taking steps to protect themselves from the possible impact of the strike at Centromin, Peru's largest lead and zinc producer.

The 10-day strike ended last Thursday and the company expects to lift the *force majeure* declared on January 18 towards the end of this week. Company officials estimate that the stoppage cost more

than \$8m in lost output.

Consequently, although zinc and lead prices moved up on the LME yesterday, the rises were relatively small. Special Grade zinc for immediate delivery rose by \$1 a tonne to \$1,292.50, while cash lead advanced by \$5 a tonne to \$422.

Traders also said that Vieille-Montagne, part of the Acec-Union Miniere group and the biggest West European producer of the zinc - accounting for about 11 per cent of world

production - had taken metal from LME stocks to cover production shortfalls.

VM has been affected by a strike in Canada which reduced supplies of raw materials to all four of its plants which operate on minimum stock levels. VM's small Belgian smelter at Overpelt is also suffering from technical problems which have reduced its output by 25 per cent. VM has indicated all its problems should be over by the beginning of February.

Traders pointed out that LME zinc stocks remained relatively high and were at a six-year peak of 87,200 tonnes only two weeks ago.

On the other hand, LME stocks of lead are now at a 25-month low.

Nigeria's 'commercialised' oil industry

Nicholas Woodsworth on efforts to revive an under-funded sector



Rilwanu Lukman: Wants a bigger Opec quota

at mid-year Nigeria's Opec production quota was raised from 1.3m to 1.50m barrels a day, with a \$3bn increase in oil income, Nigeria's annual net oil revenues are calculated to be on track, it has too large capital requirements.

Nigeria's liquefied natural gas project, in which NNPC has a 60 per cent share (Shell has 20 per cent, while Elf and Agip have 10 per cent each) will cost more than \$2bn. Mr Lavers hopes European and US purchase contracts will be signed early next year, and main construction contracts issued in 1991.

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Mr Rilwanu Lukman, the Petroleum Minister, would like to see Nigeria become eligible for a higher Opec quota. He has therefore called for increases in Nigeria's proven reserves from 16bn to 20bn barrels, and a raising of its production capacity from 1.8m to 2.5m barrels a day. Mr Brian Lavers, Managing Director of

Shell, believes that as a result of new technology both objectives are realistic, provided NNPC can inject more funds into its joint venture operations.

Nigerian policy in recent years has been to concentrate on downstream development that will allow for diversification and value-adding in the oil industry. In addition to seeking equity in refining capacity overseas, it is now at a critical stage in the financing of three ambitious and expensive projects to exploit natural gas condensate, and gas feedstock for petrochemical production.

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Dutch and Norwegians in gas pipeline study

By Laura Rauw in Amsterdam

THE NETHERLANDS and Norway are considering building a 450-kilometre natural gas pipeline from the Eikon field in the North Sea to the Dutch coast at a cost of up to F2bn (\$630m).

Gasunie, the Dutch natural gas utility, and Statoil, the Norwegian state oil company, said yesterday that such a pipeline - which would be the third Norwegian one to the Continent - would start operating in the mid-1990s. A feasibility study is scheduled to be finished by June so that a final decision can be made by the end of the year. Statoil and Gasunie will jointly study a route ending in Eemshaven on the northern Dutch coast and Statoil alone will study an alternative terminating at Emden, West Germany.

Gasunie is 10 per cent owned by the Dutch Government, 25 per cent each by Royal Dutch/Shell and Exxon and 40 per cent by DSM, the Dutch chemicals company.

Norway wants to increase transport capacity for its vast

Bangladesh's big rice crop poses problems

By Rezzuddin Ahmed in Dhaka

BANGLADESH IS facing storage problems following a bumper winter rice crop this year.

The country built up a 1.3-million-tonne emergency food grain stock at the beginning of the last fiscal year to cover against the possibility of another severe flood. But the country has been spared.

As the climate was favourable and there was no flood the winter rice crop has been estimated at 8m tonnes compared with normal annual production of 7.5m tonnes. The country has already cancelled an import order of 350,000 tonnes of wheat because of the storage problem.

Bangladesh's annual requirement of food grains is 18m tonnes on the basis of 15 tonnes per head per day consumption for 110m people.

On top of the 8m tonnes from the winter crop the dry season crop may raise the food stock by another 6m tonnes. The rainy season's rice crop and the wheat crop together may bring the country food stock close to self-sufficiency this year.

But this is a temporary phenomenon, say the country's agriculturists. They believe that the weather cycle indicates a drought this year and the next two rice crop may be affected. In that event the food grain shortage may remain at its normal 1.5m tonnes this year.

Shah Moazzem Hossain, the Deputy Prime Minister, told Parliament yesterday that the country's five major silos and 2,855 warehouses were all full and it needed more warehouses for a further 500,000 tonnes, reports Reuter.

Argentine oil earnings soar

By Gary Mead in Buenos Aires

ARGENTINA'S state-owned oil company, Yacimientos Petroliferos Fiscales has reported a 111 per cent increase in its earnings from exported oil products in 1989. In US dollar terms 1989 notched up earnings of \$434m against the previous year's \$160m.

Of the total YPF export volume of 2.55m tonnes, 77 per cent was refined oil products. Argentina has refining capacity surplus to its domestic needs.

Locally-based foreign companies also showed considerably improved figures. Shell, the largest exporter of \$39m worth of product, a 47 per cent increase over 1988.

Oil imports for 1989 amounted to \$85m, which left Argentina showing a healthy surplus of \$300m in the sector.

The Menem administration is taking steps to open up Argentina's oil sector to greater competition. In 1990, private oil companies will no longer have to sell their products to YPF but will be free to offer them to the highest bidder. However, political interests opposed to the gradual easing of YPF into a freer market still threaten to delay such plans.

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THE PRECIOUS METALS opened firm on mixed buying but eased as the US Dollar strengthened and as the US stock market weakened, reports Drexel Burnham Lambert. Long-liquidation depressed prices after the markets failed to follow-through on early strength. Late trade buying and local short-covering pulled prices back from the lows late in the session.

Copper, too, saw general long-liquidation as the market failed to follow-through on early strength. Prices strengthened as crude oil futures continued to reflect fundamental strength. Heating oil futures tended to follow crude oil and gasoline.

Short-covering extended gains. Coffee eased with light origin selling. Sugar featured underlying support from possible physical delivery, although prices were on the defensive from price-fix selling. Cacao eased with technical selling as the market failed to significantly penetrate overhead resistance beginning at 1000 basis March.

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LONDON STOCK EXCHANGE

Firm start to the new trading account

SHARE PRICES continued to move ahead in London yesterday as a firm pound supported the more optimistic views on domestic interest rates prompted by Friday's news of a narrowing in the UK monthly trade deficit. The pound was light, however, and the market momentum stalled. Wall Street opened the new session with a somewhat unexciting response in early trading to the budget statement from President Bush.

The investment institutions were again selective buyers of good quality stocks. Bank stocks attracted interest and there was ready support for a handful of speculative situ-

tions started the new trading account on the back of a strong performance in Tokyo. But in the event, the Footsie showed only a small gain in the first half hour of full trading and this largely reflected a batch of ex-dividend quotations in leading shares.

However, the market soon moved ahead, led at first by bank stocks which responded favourably to publication by the Bank of England of a new framework for third world debt provisions. At best, the market was showing a gain of nearly 18 points on the Footsie scale.

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2,288.8, the FT-SE Index was 14.3 higher on the day.

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said they were unsure of the tax treatment of the provisions. The banks are scheduled to start announcing preliminary figures later this month.

Lloyds Bank were the best performing shares, adding 8 more to 291p on turnover of 1.3m, still boosted by talk of an asset disposal, with Canadian interests mentioned as a possibility, could be imminent. Barclays rose 5 to 558p on 1.1m, Midland 3 to 375p and NatWest 2 to 230p.

Standard Chartered, one of last week's market favourites on takeover talk, retreated as speculators sold out on the idea that the stock had gone too far on no news. At the close the shares were 8 off at 558p with turnover of 1.8m. But traders remained reluctant to sell the shares short: "there has been substantial buying of the shares from the far east," said one.

Royal Bank of Scotland, talked of as a bid target for most of last year, resumed its upward path after weekend press comment, closing 5% firmer at 268p on turnover of 2.6m. Recent hints suggested that a French predator, Banque Nationale de Paris could be acquiring a stake in the Scottish bank.

Legal & General were 4 higher at 410p after County NatWest put the stock back on its buy list - "it offers a 20 per cent yield premium, dividend growth of 35 per cent over the next two years and its up to date appraisal value is estimated to be almost twice the present share price," said Mr David Nisbet, the County manager. Sun Life rose late to close 10 up at 1325p.

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Unit Price	Prev. Price	Chg.	Offer Price	W+	Yield	Units	Unit Price	Prev. Price	Chg.	Offer Price	W+	Yield	Units	Unit Price	Prev. Price	Chg.	Offer Price	W+	Yield	Units	Unit Price	Prev. Price	Chg.	Offer Price	W+	Yield	Units
Foreign & Colonial Management Ltd																											
Government & Bond Fund	19.50	-0.05	19.45																								
Government & Bond Fund	19.45	-0.05	19.40																								
Government & Bond Fund	19.40	-0.05	19.35																								
Government & Bond Fund	19.35	-0.05	19.30																								
Government & Bond Fund	19.30	-0.05	19.25																								
Government & Bond Fund	19.25	-0.05	19.20																								
Government & Bond Fund	19.20	-0.05	19.15																								
Government & Bond Fund	19.15	-0.05	19.10																								
Government & Bond Fund	19.10	-0.05	19.05																								
Government & Bond Fund	19.05	-0.05	19.00																								
Government & Bond Fund	19.00	-0.05	18.95																								
Government & Bond Fund	18.95	-0.05	18.90																								
Government & Bond Fund	18.90	-0.05	18.85																								
Government & Bond Fund	18.85	-0.05	18.80																								
Government & Bond Fund	18.80	-0.05	18.75																								
Government & Bond Fund	18.75	-0.05	18.70																								
Government & Bond Fund	18.70	-0.05	18.65																								
Government & Bond Fund	18.65	-0.05	18.60																								
Government & Bond Fund	18.60	-0.05	18.55																								
Government & Bond Fund	18.55	-0.05	18.50																								
Government & Bond Fund	18.50	-0.05	18.45																								
Government & Bond Fund	18.45	-0.05	18.40																								
Government & Bond Fund	18.40	-0.05	18.35																								
Government & Bond Fund	18.35	-0.05	18.30																								
Government & Bond Fund	18.30	-0.05	18.25																								
Government & Bond Fund	18.25	-0.05	18.20																								
Government & Bond Fund	18.20	-0.05	18.15																								
Government & Bond Fund	18.15	-0.05	18.10																								
Government & Bond Fund	18.10	-0.05	18.05																								
Government & Bond Fund	18.05	-0.05	18.00																								
Government & Bond Fund	18.00	-0.05	17.95																								
Government & Bond Fund	17.95	-0.05	17.90																								
Government & Bond Fund	17.90	-0.05	17.85																								
Government & Bond Fund	17.85	-0.05	17.80																								
Government & Bond Fund	17.80	-0.05	17.75																								
Government & Bond Fund	17.75	-0.05	17.70																								
Government & Bond Fund	17.70	-0.05	17.65																								
Government & Bond Fund	17.65	-0.05	17.60																								
Government & Bond Fund	17.60	-0.05	17.55																								
Government & Bond Fund	17.55	-0.05	17.50																								
Government & Bond Fund	17.50	-0.05	17.45																								
Government & Bond Fund	17.45	-0.05	17.40																								
Government & Bond Fund	17.40	-0.05	17.35																								
Government & Bond Fund	17.35	-0.05	17.30																								
Government & Bond Fund	17.30	-0.05	17.25																								
Government & Bond Fund	17.25	-0.05	17.20																								
Government & Bond Fund	17.20	-0.05	17.15																								
Government & Bond Fund	17.15	-0.05	17.10																								
Government & Bond Fund	17.10	-0.05	17.05																								
Government & Bond Fund	17.05	-0.05	17.00																								
Government & Bond Fund	17.00	-0.05	16.95																								
Government & Bond Fund	16.95	-0.05	16.90																								
Government & Bond Fund	16.90	-0.05	16.8																								

WORLD STOCK MARKETS

For many executives that could be a daunting task were it not for the Financial Times. The FT has breadth and depth of vision, an eye for events that are often in shadow and the ability to provide sharply detailed analyses. In short – it keeps track of a global economy that's in constant motion.

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4pm prices January 29

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

12 Month		12 Month		12 Month		12 Month		12 Month		12 Month		12 Month		12 Month		12 Month		12 Month				
High	Low	Stock	Div.	Yield	100Shares	High	Low	Stock	Div.	Yield	100Shares	High	Low	Stock	Div.	Yield	100Shares	High	Low	Stock	Div.	
12/15	245	AAR	48	1.8	160	160	30	30	30	1.4	3	100	100	30	30	30	1.4	3	100	100	30	30
9/4	81	ACM	1.07	11	229	229	9	9	9	5%	5%	100	100	9	9	9	5%	5%	100	100	9	9
11/5	104	ACM	1.28	11	235	235	9	9	9	5%	5%	100	100	9	9	9	5%	5%	100	100	9	9
12/15	12	ACM	1.01	12	201	201	12	12	12	5%	5%	100	100	12	12	12	5%	5%	100	100	12	12
11/5	104	ACM	1.28	11	145	145	11	11	11	5%	5%	100	100	11	11	11	5%	5%	100	100	11	11
12/15	12	ACM	1.01	12	135	135	11	11	11	5%	5%	100	100	11	11	11	5%	5%	100	100	11	11
11/5	104	AL	1.01	11	19	19	17	17	17	5%	5%	100	100	17	17	17	5%	5%	100	100	17	17
12/15	12	AL	1.01	11	7	7	5	5	5	5%	5%	100	100	5	5	5	5%	5%	100	100	5	5
12/15	12	AM	1.01	11	217	217	19	19	19	5%	5%	100	100	19	19	19	5%	5%	100	100	19	19
12/15	12	AM	1.01	11	164	164	14	14	14	5%	5%	100	100	14	14	14	5%	5%	100	100	14	14
12/15	12	AM	1.01	11	12	12	10	10	10	5%	5%	100	100	10	10	10	5%	5%	100	100	10	10
12/15	12	AM	1.01	11	8	8	6	6	6	5%	5%	100	100	6	6	6	5%	5%	100	100	6	6
12/15	12	AM	1.01	11	5	5	3	3	3	5%	5%	100	100	3	3	3	5%	5%	100	100	3	3
12/15	12	AM	1.01	11	2	2	1	1	1	5%	5%	100	100	1	1	1	5%	5%	100	100	1	1
12/15	12	AM	1.01	11	1	1	1	1	1	5%	5%	100	100	1	1	1	5%	5%	100	100	1	1
12/15	12	AM	1.01	11	1	1	1	1	1	5%	5%	100	100	1	1	1	5%	5%	100	100	1	1
12/15	12	AM	1.01	11	1	1	1	1	1	5%	5%	100	100	1	1	1	5%	5%	100	100	1	1
12/15	12	AM	1.01	11	1	1	1	1	1	5%	5%	100	100	1	1	1	5%	5%	100	100	1	1
12/15	12	AM	1.01	11	1	1	1	1	1	5%	5%	100	100	1	1	1	5%	5%	100	100	1	1
12/15	12	AM	1.01	11	1	1	1	1	1	5%	5%	100	100	1	1	1	5%	5%	100	100	1	1
12/15	12	AM	1.01	11	1	1	1	1	1	5%	5%	100	100	1	1	1	5%	5%	100	100	1	1
12/15	12	AM	1.01	11	1	1	1	1	1	5%	5%	100	100	1	1	1	5%	5%	100	100	1	1
12/15	12	AM	1.01	11	1	1	1	1	1	5%	5%	100	100	1	1	1	5%	5%	100	100	1	1
12/15	12	AM	1.01	11	1	1	1	1	1	5%	5%	100	100	1	1	1	5%	5%	100	100	1	1
12/15	12	AM	1.01	11	1	1	1	1	1	5%	5%	100	100	1	1	1	5%	5%	100	100	1	1
12/15	12	AM	1.01	11	1	1	1	1	1	5%	5%	100	100	1	1	1	5%	5%	100	100	1	1
12/15	12	AM	1.01	11	1	1	1	1	1	5%	5%	100	100	1	1	1	5%	5%	100	100	1	1
12/15	12	AM	1.01	11	1	1	1	1	1	5%	5%	100	100	1	1	1	5%	5%	100	100	1	1
12/15	12	AM	1.01	11	1	1	1	1	1	5%	5%	100	100	1	1	1	5%	5%	100	100	1	1
12/15	12	AM	1.01	11	1	1	1	1	1	5%	5%	100	100	1	1	1	5%	5%	100	100	1	1
12/15	12	AM	1.01	11	1	1	1	1	1	5%	5%	100	100	1	1	1	5%	5%	100	100	1	1
12/15	12	AM	1.01	11	1	1	1	1	1	5%	5%	100	100	1	1	1	5%	5%	100	100	1	1
12/15	12	AM	1.01	11	1	1	1	1	1	5%	5%	100	100	1	1	1	5%	5%	100	100	1	1
12/15	12	AM	1.01	11	1	1	1	1	1	5%	5%	100	100	1	1	1	5%	5%	100	100	1	1
12/15	12	AM	1.01	11	1	1	1	1	1	5%	5%	100	100	1	1	1	5%	5%	100	100	1	1
12/15	12	AM	1.01	11	1	1	1	1	1	5%	5%	100	100	1	1	1	5%	5%	100	100	1	1
12/15	12	AM	1.01	11	1	1	1	1	1	5%	5%	100	100	1	1	1	5%	5%	100	100	1	1
12/15	12	AM	1.01	11	1	1	1	1	1	5%	5%	100	100	1	1	1	5%	5%	100	100	1	1
12/15	12	AM	1.01	11	1	1	1	1	1	5%	5%	100	100	1	1	1	5%	5%	100	100	1	1
12/15	12	AM	1.01	11	1	1	1	1	1	5%	5%	100	100	1	1	1	5%	5%	100	100	1	1
12/15	12	AM	1.01	11	1	1	1	1	1	5%	5%	100	100	1	1	1	5%	5%	100	100	1	1
12/15	12	AM	1.01	11	1	1	1	1	1	5%	5%	100	100	1	1	1	5%	5%	100	100	1	1
12/15	12	AM	1.01	11	1	1	1	1	1	5%	5%	100	100</td									

NYSE COMPOSITE PRICES

12 Months P/I Sba
High Low Stock Div. Yld. E 100 High Low
Continued from previous Page

42 Month	High	Low	Stock	Div.	Yld.	Ex.	100	High	Low	Close	Prev.	Close
Continued from previous Page												
5-32	General						221	154	74	7-32	7-32	1-64
55	General						201	145	50	+	50	+
10-4	General						50	33	15	12-2	12-2	1-2
10-4	General						131	114	111	11-2	11-2	1-2
11-5	General						146	114	111	11-2	11-2	1-2
31-4	General						225	205	225	22-2	22-2	1-2
31-4	General						205	190	225	22-2	22-2	1-2
10-4	GenVII						183	124	123	12-2	12-2	1-2
12-4	GenVC						339	124	123	12-2	12-2	1-2
30-5	Genstar						353	124	123	12-2	12-2	1-2
31-2	Genstar	1.82	5.3	15			385	124	123	12-2	12-2	1-2
18-4	GenTech	2.28	2.3	10			1202	122	512	12	12	1-2
R-R-R												
6-2	RAC	1m.20	.11				114	104	104	104	104	1-2
6-2	RAC	.530	.11				58	34	34	34	34	1-2
6-2	RAC	.50	.11				28	16	16	16	16	1-2
10-2	RAC	.40	.11				23	7108	164	164	164	1-2
10-2	RAC	.30	.11				14	41	16	16	16	1-2
6-2	RAC	.30	.11				6	300	54	54	54	1-2
6-2	Race	.25	.11				4	30	107	59	59	1-2
5-2	Race	.25	.11				4	30	107	59	59	1-2
5-2	Race	.25	.11				16	3	3	3	3	1-2
11-2	RacePro	1.85	2.4	14			454	79	781	781	781	1-2
6-2	RacePro	.51	.27				250	54	54	54	54	1-2
30-4	RacePro	.32	1.10	1510			282	67	67	67	67	1-2
21	RacePro	.20	1.15	1510			204	204	204	204	204	1-2
1-2	RacePro	.15	1.15	1510			23	24	24	24	24	1-2
85	RacePro	2.20	3.4	81140			654	65	65	65	65	1-2
15	RacePro	0.0	9.5	10			67	64	143	143	143	1-2
12-4	RacePro	.50	9.5	10			19	12	2005	164	164	1-2
20	RacePro	.30	1.9	12			205	164	164	164	164	1-2
16	RacePro	.16	1.6	47			34	94	94	94	94	1-2
S-S-S												
1-2	Riegel						322	6-16	7-4	7-4	7-4	1-2
5-2	Riegel						830	54	54	54	54	1-2
10-2	Riegel						9	10	10	10	10	1-2
15-2	Riegel						52	28	54	54	54	1-2
20-2	Riegel						1	5107	22	22	22	1-2
25-2	Riegel						40	38	23	5	5	1-2
30-2	Riegel						2,8176	367	24	18	18	1-2
35-2	Riegel						1	874	24	18	18	1-2
40-2	Riegel						4	314	164	164	164	1-2
45-2	Riegel						3	5327	504	504	504	1-2
50-2	Riegel						18	175	175	175	175	1-2
55-2	Riegel						67	24	24	24	24	1-2
60-2	Riegel						583	182	182	182	182	1-2
65-2	Riegel						12	12	12	12	12	1-2
70-2	Riegel						45	152	174	174	174	1-2
75-2	Riegel						4	204	204	204	204	1-2
80-2	Riegel						40	211	211	211	211	1-2
85-2	Riegel						47	211	211	211	211	1-2
90-2	Riegel						83	193	205	205	205	1-2
95-2	Riegel						93	193	205	205	205	1-2
100-2	Riegel						93	193	205	205	205	1-2
105-2	Riegel						93	193	205	205	205	1-2
110-2	Riegel						93	193	205	205	205	1-2
115-2	Riegel						93	193	205	205	205	1-2
120-2	Riegel						93	193	205	205	205	1-2
125-2	Riegel						93	193	205	205	205	1-2
130-2	Riegel						93	193	205	205	205	1-2
135-2	Riegel						93	193	205	205	205	1-2
140-2	Riegel						93	193	205	205	205	1-2
145-2	Riegel						93	193	205	205	205	1-2
150-2	Riegel						93	193	205	205	205	1-2
155-2	Riegel						93	193	205	205	205	1-2
160-2	Riegel						93	193	205	205	205	1-2
165-2	Riegel						93	193	205	205	205	1-2
170-2	Riegel						93	193	205	205	205	1-2
175-2	Riegel						93	193	205	205	205	1-2
180-2	Riegel						93	193	205	205	205	1-2
185-2	Riegel						93	193	205	205	205	1-2
190-2	Riegel						93	193	205	205	205	1-2
195-2	Riegel						93	193	205	205	205	1-2
200-2	Riegel						93	193	205	205	205	1-2
205-2	Riegel						93	193	205	205	205	1-2
210-2	Riegel						93	193	205	205	205	1-2
215-2	Riegel						93	193	205	205	205	1-2
220-2	Riegel						93	193	205	205	205	1-2
225-2	Riegel						93	193	205	205	205	1-2
230-2	Riegel						93	193	205	205	205	1-2
235-2	Riegel						93	193	205	205	205	1-2
240-2	Riegel						93	193	205	205	205	1-2
245-2	Riegel						93	193	205	205	205	1-2
250-2	Riegel						93	193	205	205	205	1-2
255-2	Riegel						93	193	205	205	205	1-2
260-2	Riegel						93	193	205	205	205	1-2
265-2	Riegel						93	193	205	205	205	1-2
270-2	Riegel						93	193	205	205	205	1-2
275-2	Riegel						93	193	205	205	205	1-2
280-2	Riegel						93	193	205	205	205	1-2
285-2	Riegel						93	193	205	205	205	1-2
290-2	Riegel						93	193	205	205	205	1-2
295-2	Riegel						93	193	205	205	205	1-2
300-2	Riegel						93	193	205	205	205	1-2
305-2	Riegel						93	193	205	205	205	1-2
310-2	Riegel						93	193	205	205	205	1-2
315-2	Riegel						93	193	205	205	205	1-2
320-2	Riegel						93	193	205	205	205	1-2
325-2	Riegel						93	193	205	205	205	1-2
330-2	Riegel						93	193	205	205	205	1-2
335-2	Riegel						93	193	205	205	205	1-2
340-2	Riegel						93	193	205	205	205	1-2
345-2	Riegel						93	193	205	205	205	1-2
350-2	Riegel						93	193	205	205	205	1-2
355-2	Riegel						93	193	205	205	205	1-2
360-2	Riegel						93	193	205	205	205	1-2
365-2	Riegel						93	193	205	205	205	1-2
370-2	Riegel						93	193	205	205	205	1-2
375-2	Riegel						93	193	205	205	205	1-2
380-2	Riegel						93	193	205	205	205	1-2
385-2	Riegel						93	193	205	205	205	1-2
390-2	Riegel						93	193	205	205	205	1-2
395-2	Riegel						93	193	205	205	205	1-2
400-2	Riegel						93	193	205	205	205	1-2
405-2	Riegel						93	193	205	205	205	1-2
410-2	Riegel						93	193	205	205	205	1-2
415-2	Riegel						93	193	205	205	205	1-2
420-2	Riegel						93	193	205	205	205	1-2
425-2	Riegel						93	193	205	205	205	1-2
430-2	Riegel						93	193	205	205	205	1-2
435-2	Riegel						93	193	205	205	205	1-2
440-2	Riegel						93	193	205	205	205	1-2
445-2	Riegel						93	193	205	205	205	1-2
450-2	Riegel						93	193	205	205	205	1-2
455-2	Riegel						93	193	205	205	205	1-2
460-2	Riegel						93	193	205	205	205	1-2
465-2	Riegel						93	193	205	205	205	1-2
470-2	Riegel						93	193	205	205	205	1-2
475-2	Riegel						93	193	205	205	205	1-2
480-2	Riegel						93	193	205	205	205	1-2
485-2	Riegel						93	193	205	205	205	1-2
490-2	Riegel						93	193	205	205	205	1-2
495-2	Riegel						93	193	205	205	205	1-2
500-2	Riegel						93	193	205	205	205	1-2
505-2	Riegel						93					

Sales figures are unofficial. Yearly highs and lows reflect the previous 52 weeks plus the current week, but not the latest trading day. Where a split or stock dividend amounting to 25 percent or more has been paid, the year's high-only range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividend are annual disbursements based on the latest declaration.
 ex-dividend also *xtra(s)*, b-annual rate of dividend plus stock dividend, c-liquidating dividend, cl-cashed, d-new year's low, dividend declared or paid in preceding 12 months, p-dividend in Canadian funds, subject to 15% non-residence tax, l-dividend declared after split-up or stock dividend, l-dividend paid this year, outlined, deferred, or no action taken at latest dividend meeting, k-dividend declared or paid this year, an accumulative issue with dividends in arrears, n-new issue in the past 52 weeks. The high-low range begins with the start of trading.
 d-next day delivery, P/E price-earnings ratio, r-dividend declared or paid in preceding 12 months plus stock dividend, stock split. Dividends begin with date of split, s-size-sizes, dividend paid in stock in preceding 12 months, estimated cash value on ex-dividend or ex-distribution date, u-new year's high, tracking held, w-in bankruptcy or receivership or being reorganized under the Bankruptcy Act, or securities assumed by such companies, wd-distributed, w-with issued, ww-with warrants, x-ex-dividend or ex-rights, xl-ex-distribution, xl-without warrants, y-ex-dividend and sales intall, yd-yield, -ates in full.

NASDAQ NATIONAL MARKET

3pm prices January 29

Stock	Div.	Sales	100s	High	Low	Last	Chng	Stock	Div.	Sales	100s	High	Low	Last	Chng	Stock	Div.	Sales	100s	High	Low	Last	Chng	Stock	Div.	Sales	100s	High	Low	Last	Chng																	
ASW Bd		24	224	274	274	274	+ 1	DSC	27	2229	142	132	132	132	+ 1	Koester	10	29	68	81	81	81	+ 1	RepGrid	115	112	104	104	+ 1	RepGrid	115	112	104	104	+ 1	RepGrid	115	112	104	104	+ 1	RepGrid						
ADC		11	32	151	174	174	+ 1	Dairy	15	136	52	51	51	51	+ 1	Kardon	10	29	68	81	81	81	+ 1	Rehrid	26	4588	50	50	50	50	+ 1	Rehrid	26	4588	50	50	50	50	+ 1	Rehrid	26	4588	50	50	50	50	+ 1	Rehrid
ADT		11	306	34	323	323	+ 1	Dartrip	17	11	38	46	46	46	+ 1	KyCoLi	4	4	104	142	142	142	+ 1	KeyGen	50	11	44	56	56	56	+ 1	KeyGen	50	11	44	56	56	56	+ 1	KeyGen	50	11	44	56	56	56	+ 1	KeyGen
ALC h		304	1	14	14	14	+ 1	Dca IO	41	156	-	11	38	31	+ 1	KyCoLi	4	4	104	142	142	142	+ 1	KeyIn	106	11	31	81	81	81	+ 1	KeyIn	106	11	31	81	81	81	+ 1	KeyIn								
ASK		12	34	81	81	81	+ 1	DcaSwch	47	-	13	27	27	27	+ 1	Kimber	10	29	68	81	81	81	+ 1	Kimber	10	29	68	81	81	81	+ 1	Kimber	10	29	68	81	81	81	+ 1	Kimber								
AST		115	125	125	125	125	+ 1	Dash	15	136	52	51	51	51	+ 1	Konem	10	29	68	81	81	81	+ 1	Konem	10	29	68	81	81	81	+ 1	Konem																
Acclaim	+	759	51	51	51	51	+ 1	DashShp	120	12	18	194	31	31	+ 1	Kordt	10	29	68	81	81	81	+ 1	Kordt	10	29	68	81	81	81	+ 1	Kordt																
Acclaim	+	16	116	61	61	61	+ 1	DashShp	20	12	18	21	31	31	+ 1	Kordt	10	29	68	81	81	81	+ 1	Kordt	10	29	68	81	81	81	+ 1	Kordt																
Adacel	18	7	302	24	24	24	+ 1	DashShp	456	-	12	25	21	21	+ 1	Kordt	10	29	68	81	81	81	+ 1	Kordt	10	29	68	81	81	81	+ 1	Kordt																
Adapt		14	757	162	162	162	+ 1	DashShp	49	12	18	15	21	21	+ 1	Kordt	10	29	68	81	81	81	+ 1	Kordt	10	29	68	81	81	81	+ 1	Kordt																
Adapt	8	21	350	24	24	24	+ 1	DashShp	53	12	18	15	21	21	+ 1	Kordt	10	29	68	81	81	81	+ 1	Kordt	10	29	68	81	81	81	+ 1	Kordt																
Adapt	14	857	21	21	21	21	+ 1	DashShp	57	12	18	15	21	21	+ 1	Kordt	10	29	68	81	81	81	+ 1	Kordt	10	29	68	81	81	81	+ 1	Kordt																
Adapt	14	857	21	21	21	21	+ 1	DashShp	61	12	18	15	21	21	+ 1	Kordt	10	29	68	81	81	81	+ 1	Kordt	10	29	68	81	81	81	+ 1	Kordt																
Adapt	14	857	21	21	21	21	+ 1	DashShp	65	12	18	15	21	21	+ 1	Kordt	10	29	68	81	81	81	+ 1	Kordt	10	29	68	81	81	81	+ 1	Kordt																
Adapt	14	857	21	21	21	21	+ 1	DashShp	69	12	18	15	21	21	+ 1	Kordt	10	29	68	81	81	81	+ 1	Kordt	10	29	68	81	81	81	+ 1	Kordt																
Adapt	14	857	21	21	21	21	+ 1	DashShp	73	12	18	15	21	21	+ 1	Kordt	10	29	68	81	81	81	+ 1	Kordt	10	29	68	81	81	81	+ 1	Kordt																
Adapt	14	857	21	21	21	21	+ 1	DashShp	77	12	18	15	21	21	+ 1	Kordt	10	29	68	81	81	81	+ 1	Kordt	10	29	68	81	81	81	+ 1	Kordt																
Adapt	14	857	21	21	21	21	+ 1	DashShp	81	12	18	15	21	21	+ 1	Kordt	10	29	68	81	81	81	+ 1	Kordt	10	29	68	81	81	81	+ 1	Kordt																
Adapt	14	857	21	21	21	21	+ 1	DashShp	85	12	18	15	21	21	+ 1	Kordt	10	29	68	81	81	81	+ 1	Kordt	10	29	68	81	81	81	+ 1	Kordt																
Adapt	14	857	21	21	21	21	+ 1	DashShp	89	12	18	15	21	21	+ 1	Kordt	10	29	68	81	81	81	+ 1	Kordt	10	29	68	81	81	81	+ 1	Kordt																
Adapt	14	857	21	21	21	21	+ 1	DashShp	93	12	18	15	21	21	+ 1	Kordt	10	29	68	81	81	81	+ 1	Kordt	10	29	68	81	81	81	+ 1	Kordt																
Adapt	14	857	21	21	21	21	+ 1	DashShp	97	12	18	15	21	21	+ 1	Kordt	10	29	68	81	81	81	+ 1	Kordt	10	29	68	81	81	81	+ 1	Kordt																
Adapt	14	857	21	21	21	21	+ 1	DashShp	101	12	18	15	21	21	+ 1	Kordt	10	29	68	81	81	81	+ 1	Kordt	10	29	68	81	81	81	+ 1	Kordt																
Adapt	14	857	21	21	21	21	+ 1	DashShp	105	12	18	15	21	21	+ 1	Kordt	10	29	68	81	81	81	+ 1	Kordt	10	29	68	81	81	81	+ 1	Kordt																
Adapt	14	857	21	21	21	21	+ 1	DashShp	109	12	18	15	21	21	+ 1	Kordt	10	29	68	81	81	81	+ 1	Kordt	10	29	68	81	81	81	+ 1	Kordt																
Adapt	14	857	21	21	21	21	+ 1	DashShp	113	12	18	15	21	21	+ 1	Kordt	10	29	68	81	81	81	+ 1	Kordt	10	29	68	81	81	81	+ 1	Kordt																
Adapt	14	857	21	21	21	21	+ 1	DashShp	117	12	18	15	21	21	+ 1	Kordt	10	29	68	81	81	81	+ 1	Kordt	10	29	68	81	81	81	+ 1	Kordt																
Adapt	14	857	21	21	21	21	+ 1	DashShp	121	12	18	15	21	21	+ 1	Kordt	10	29	68	81	81	81	+ 1	Kordt	10	29	68	81	81	81	+ 1	Kordt																
Adapt	14	857	21	21	21	21	+ 1	DashShp	125	12	18	15	21	21	+ 1	Kordt	10	29	68	81	81	81	+ 1	Kordt	10	29	68	81	81	81	+ 1	Kordt																
Adapt	14	857	21	21	21	21	+ 1	DashShp	129	12	18	15	21	21	+ 1	Kordt	10	29	68	81	81	81	+ 1	Kordt	10	29	68	81	81	81	+ 1	Kordt																
Adapt	14	857	21	21	21	21	+ 1	DashShp	133	12	18	15	21	21	+ 1	Kordt	10	29	68	81	81	81	+ 1	Kordt	10	29	68	81	81	81	+ 1	Kordt																
Adapt	14	857	21	21	21	21	+ 1	DashShp	137	12	18	15	21	21	+ 1	Kordt	10	29	68	81	81	81	+ 1	Kordt	10	29	68	81	81	81	+ 1	Kordt																
Adapt	14	857	21	21	21	21	+ 1	DashShp	141	12	18	15	21	21	+ 1	Kordt	10	29	68	81	81	81	+ 1	Kordt	10	29	68	81	81	81	+ 1	Kordt																
Adapt	14	857	21	21	21	21	+ 1	DashShp	145	12	18	15	21	21	+ 1	Kordt	10	29	68	81	81	81	+ 1	Kordt	10	29	68	81	81	81	+ 1	Kordt																
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Adapt	14	857	21	21	21	21	+ 1	DashShp	153	12	18	15	21	21	+ 1	Kordt	10	29	68	81	81	81	+ 1	Kordt	10	29	68	81	81	81	+ 1	Kordt																
Adapt	14	857	21	21	21	21	+ 1	DashShp	157	12	18	15	21	21	+ 1	Kordt	10	29	68	81	81	81	+ 1	Kordt	10	29	68	81	81	81	+ 1	Kordt																
Adapt	14	857	21	21	21	21	+ 1	DashShp	161	12	18	15	21	21	+ 1	Kordt	10	29	68	81	81	81	+ 1	Kordt	10	29	68	81	81	81	+ 1	Kordt																
Adapt	14	857	21	21	21	21	+ 1	DashShp	165	12	18	15	21	21	+ 1	Kordt	10	29	68	81	81	81	+ 1	Kordt	10	29	68	81	81	81	+ 1	Kordt																
Adapt	14	857	21	21	21	21	+ 1	DashShp	169	12	18	15	21	21	+ 1	Kordt	10	29	68	81	81	81	+ 1	Kordt	10	29	68	81	81	81	+ 1	Kordt																
Adapt	14	857	21	21	21	21	+ 1	DashShp	173	12	18	15	21	21	+ 1	Kordt	10	29	68	81	81	81	+ 1	Kordt	10	29	68	81	81	81	+ 1	Kordt																
Adapt	14	857	21	21	21	21	+ 1	DashShp	177	12	18	15	21	21	+ 1	Kordt	10	29	68	81	81	81	+ 1	Kordt	10	29	68	81	81	81	+ 1	Kordt																
Adapt	14	857	21	21	21	21	+ 1	DashShp	181	12	18	15	21	21	+ 1	Kordt	10	29	68	81	81	81	+ 1	Kordt	10	29	68	81	81	81	+ 1	Kordt																

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FINANCIAL TIMES
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AMERICA

Early rally fizzles out on round of programme sales

Wall Street

AFTER a brief attempt to rally at the opening, the equity market started drifting lower again in low volume, writes Janet Bush in New York.

The Dow Jones Industrial Average closed 5.85 points lower at 2,553.38 on volume of only 151m shares. At one stage, the index had stood more than 25 points lower but then recovered swiftly in the final hour of trading. Other key indices were also lower.

The Standard & Poor's 500 was quoted modestly lower while secondary stocks continued to come under selling pressure. The Nasdaq Composite index was quoted more than 3 points lower at the close.

The early buying, which took the Dow about 10 points higher, was a continuation of the rally during afternoon trading on Friday, which had erased a loss of about 30 points to leave the Dow only 1.81 points lower at the close at 2,550.33. But the small rally,

which came on the heels of better performances in Tokyo and London, soon fizzled out.

The market was then driven lower by a round of programme selling. Chances of a recovery from its recent sharp fall appear slim while the Treasury bond market remains in the doldrums.

The bond market yesterday failed to rebound at all from its slump on Friday, and the yield on the benchmark long bond rose to 8.64 per cent in late trading. A combination of rising yields in the bond market and poor corporate earnings has left the equity market reeling.

The Dow would only have to fall about another 5 points from yesterday's close to reach the worst January since 1960 when it lost 8.5 per cent.

There are a number of hurdles to be cleared this week including tomorrow's announcement of the details of next month's quarterly refunding and Friday's January employment release.

Kay Jewelers fell \$1.14 to \$14.43 as takeover speculation

surrounding the stock faded. Ratners of Britain denied rumours on Friday that it was prepared to make a \$25 a share bid.

Di Giorgio fell \$2.12 to \$26.45. Mr Arthur Goldberg, the investor, extended his tender offer of \$30 a share until Wednesday. The offer had been due to expire last Friday.

Pizer added \$4 to \$68.50 after the Food and Drug Administration approved the drug Fluconazole which treats two AIDS-related fungal infections.

Canada

LIGHT trading in Toronto saw stock prices finish lower for the fourth consecutive session, dragged down mainly by media and transportation stocks.

The 300 composite index ended 11.20 lower at 3723.52, as declines outnumbered advances 363 to 235. Volume fell to 19,223,000 shares, worth C\$423.2m, from Friday's C\$401.2m, 30,855,000 shares, worth

C\$401.2m.

Bank sees 15% gain in US

By William Cochrane

THE US equity market is unlikely to move out of its present phase until the spring or early summer, but it could end 1990 with a good performance overall, according to Kidder Peabody, the US investment bank.

Mr Joseph Fuchs, managing director and head of research at Kidder Peabody was in London yesterday to talk to UK institutions. He said that the 9 per cent fall in the Dow Jones Industrial Average since it peaked at the start of this year was a short-term correction, rather than a fundamental change in direction, and that the market could end 1990 with a gain of 15 per cent.

ASIA PACIFIC

Nikkei rebounds above 37,000

Tokyo

CONTINUING CALM on the bond market and the firmness of the yen helped to give share prices a strong boost, but volume remained paltry, writes Michio Nakamoto in Tokyo.

Index-linked buying supported a rise in the Nikkei average above the 37,000 level for the first time in four days. It closed at 37,173.70, up 29.63. During the day, it moved between a low of 36,912.51 and a high of 37,221.79. Advanced issues declined by 583 to 334, while 203 issues were unchanged.

Turnover, at 430m shares, was extremely thin even compared with recent levels and much lower than the 523m traded on Friday. The Topix index of all listed stocks gained 25.61 to 2,736.76 and, in London trading, the ISE/Nikkei 50 index rose 3.08 to 2,058.15.

The yen's rise against the dollar did its part to encourage buying, particularly from new index-linked funds. Dealer activity, aimed at lifting spirits at the start of trading for February, was another factor behind the rebound.

While the rise in the Nikkei appeared to indicate an improvement in market sentiment, the low volume revealed that investors remained as cautious as they have been for the past few weeks.

"The market reflects the uncertainty in the minds of most fund managers," said Mr Masao Fujita, senior manager

and the sometimes disastrous effect on company results.

However, he said, Kidder Peabody was looking for an alternative to this scenario in a declining budget deficit, a cut in inflation, and short-term interest rates coming down to about 7.75 per cent.

The predicted rise in share prices would require stocks to be valued on higher p/e multiples, as distinct from 1988 and 1989 when all of the market's short-term prospects are also affected by fears of a further increase in short-term interest rates, up from 7.7 per cent to 8.5 per cent in the last month.

worries about inflation, the slowdown in the US economy

and the sometimes disastrous effect on company results.

FRANKFURT liked the news that East Germany would hold its first free elections two months earlier than planned. After a 7.14 rise to 758.13 in the FAZ index at mid-session, the DAX closed 17.41 higher at 1,811.55. Volume eased from DM7.7bn to DM6.9bn.

The renewed focus on Eastern European prospects gave Metalgesellschaft a rise of DM18.50 to DM67.50. In growing activity by Japanese country funds, Hoechst led a belated rise in chemicals with a rise of DM6.40 to DM295.30.

Siemens was the most actively traded stock, in turnover of DM393m, and headed the international blue chip winners with a gain of DM11.75 to DM73.20. It benefited from strong demand for call options on the newly formed Deutsche Teminborse, where Siemens calls were the most actively traded instruments on the futures market's first two days of operations.

Disappointments on the day

included Deutsche Bank, held

to a DM2 gain at DM316 on

rumours of a rights issue; and

Klockner Werke, which is said

to be asking British Steel for a

high price for its Mannstadt

subsidiary, and which fell

DM1.50 to DM256.50.

Among other banking shares, Dresdner Bank climbed

DM5 to DM418. The state court

in Frankfurt accepted the

appeal of a small shareholder

and declared invalid

Dresdner's so-called conditional voting right limitation,

an anti-takeover defence.

KHD, the machinery group, rose DM5.50 to DM235.50 after a report that Deutsche Babcock

plans to acquire a 40 per cent

stake from Deutsche Bank and

Allianz Babcock, which is to

omit its 1989 dividend because

of a sharp drop in earnings,

rose DM4.30 to DM20.30.

ZURICH took its lead from Frankfurt and the Credit Suisse index

rose 3.5 to 588.3.

Ascom, the telephone maker, rose SF25 to SF3,050 as it

expected to maintain its 1989

SOUTH AFRICA

GOLD shares closed firmer in Johannesburg with stocks supported by a firm bullion price and a partial retreat in the financial rand.

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co., and County NatWest/Wood Mackenzie in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS	MONDAY JANUARY 29 1990				FRIDAY JANUARY 26 1990				DOLLAR INDEX			
	US Dollar Index	Day's Change %	Pound Sterling Index	Local Currency Index	Day's change % locl currency	Gross Yield	US Dollar Index	Pound Sterling Index	Local Currency Index	1989/90 High	1989/90 Low	Year ago (approx)
Australia (54)	150.07	+0.3	122.65	150.90	+0.0	5.21	146.61	133.90	130.90	120.41	122.28	153.93
Austria (15)	217.39	+3.9	192.02	189.18	+2.8	1.37	202.20	187.24	184.10	219.85	92.94	95.90
Belgium (61)	150.57	+1.0	132.99	130.14	+0.2	4.30	149.03	133.33	129.92	160.02	125.56	134.77
Canada (120)	139.76	+0.2	123.44	120.27	-0.3	3.33	139.52	120.62	124.67	135.28	124.67	135.28
Denmark (35)	243.75	+1.3	215.30	214.65	+0.3	1.47	240.71	215.44	214.11	250.34	165.38	156.97
France (26)	147.71	+0.8	130.47	122.37	+0.7	2.55	146.59	131.19	122.28	159.16	118.63	132.46
Germany (96)	150.80	+1.7	133.02	134.77	+0.8	2.80	146.10	132.55	133.58	157.87	112.57	118.13
West Germany (96)	152.92	+1.7	132.18	130.10	+0.6	1.94	151.44	131.73	109.85	130.20	79.56	85.25
Italy (49)	132.72	-0.1	102.45	114.04	+0.0	6.00	113.82	101.73	101.44	120.23	85.61	102.99
Ireland (17)	126.53	+0.7	173.59	175.43	-0.2	2.48	195.08	174.80	175.70	198.57	125.00	197.34
Italy (66)	98.62	+1.1	87.11	92.06	+0.3	2.49	97.50	87.30	91.75	102.11	74.97	82.42
Japan (455)	157.18	+1.2	165.93	169.37	+1.1	0.48	184.98	165.55	167.56	200.11	164.22	192.89
Malaysia (36)	225.81	+0.0	199.46	234.99	+0.0	2.28	225.71	202.02	234.97	238.21	143.32	155.23
Mexico (125)	332.03	+0.8	293.28	980.16	+0.4	0.63	329.35	294.78	972.27	337.02	153.32	162.25
Netherlands (43)	138.83	+1.1	120.25	118.02	+0.4	4.56	138.12	120.94	117.55	145.66	110.63	114.77
New Zealand (18)	216.10	+0.7	81.84	80.40	+0.2	5.65	214.40	81.73	82.28	218.18	82.64	70.83
Norway (20)	215.28	+1.0	180.15	189.20	+0.2	1.44	213.14	180.78	189.44	219.20	123.23	131.54
Reports that the US was pushing for greater financial deregulation in Japan faced with industrial financial issues, with Industrial Bank of Japan up Y190 at Y5,700.												
SEUL sank below the 900 mark on the composite index in thin trading. The index shed 8.43 to 897.32.												
South Africa (60)	231.14	+0.4	204.16	167.59	+1.4	3.32	230.17	206.01	165.29	231.14	135.35	123.75
Spain (43)	154.78	+2.0	136.71	127.10	+0.9	4.						